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No.

# IN THE SUPREME COURT OF THE UNITED STATES

October Term, 1990

OWEN E. PERRY,
*Petitioner,*

vs.

AMERACE CORPORATION, *Respondent.*

## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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## QUESTIONS PRESENTED

1. Whether the words "frivolous," "just damages," and "an appeal" in Rule 38 are so lacking in meaning or articulated standards as to be void for vagueness under the Due Process Clause.

2. In applying Rule 38, F.R.App.P.,

(a) Whether "frivolous" must be construed strictly, to avoid imposing sanctions against a lawyer for making an argument that a court finds to be "utterly meritless," but which is "arguable" and made in good faith;

(b) Whether "an appeal" must be understood to refer to the entire appeal, rather than to some unquantified portion of the appeal.

3. When a lawyer is subjected to sanctions and public censure for taking a frivolous appeal and for going "[b]eyond frivolity" to the point of "deceit," whether this constitutes "disciplinary action . . . for conduct unbecoming a lawyer or . . . failure to comply with these rules or any rule of the court," thereby requiring that the lawyer first be given notice and a hearing pursuant to Rule 46(c), F.R.App.P.

4. Whether Due Process requires that a lawyer receive notice and a hearing before being subjected to $134,000 in sanctions and to public censure that directly results in loss of clients.

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## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner, Owen E. Perry ("Perry"), respectfully prays pursuant to Sup Ct R 12.2 that a writ of certiorari issue to review the identical or closely related questions raised in the opinion of the United States Court of Appeals for the Federal Circuit rendered in *Pac-Tec, Inc.* v. *Amerace Corporation* on May 9, 1990 and in the orders entered in the United States Court of Appeals for the Federal Circuit in *Pac-Tec* v. *Amerace* on January 14, 1991 and in *In Re Owen E. Perry* on November 1, 1990 and December 19, 1990.

## PARTIES

Respondent in this Court, Amerace Corporation (now known as Stimsonite Corporation), is the defendant/appellee in *Pac-Tec, Inc.* v. *Amerace Corporation*, Fed. Cir. Appeal Nos. 89-1329, -1692; Pac-Tec,Inc. is the plaintiff/appellant in that case. Perry was Pac-Tec's counsel in *Pac-Tec* v. *Amerace* until May 10, 1990 and is the party to *In Re Owen E. Perry*, Fed. Cir. Misc. No. 289.

## OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit in *Pac-Tec* v. *Amerace* dated May 9, 1990 is reported at 903 F2d 796. The slip opinion is reproduced in Appendix A to this petition beginning at page A1. The opinion as published in the Federal Reporter is reproduced in Appendix C to this petition beginning at page A16. The order of the United States Court of Appeals for the Federal Circuit entered on November 1, 1990 is reported at 918 F2d 931 and is reproduced in Appendix D to this petition beginning at page A30. The orders of the United States Court of Appeals for the Federal Circuit entered on December 19, 1990 in *In Re Perry* and January 14, 1991 in *Pac-Tec* v. *Amerace* are not reported and are, respectively,

reproduced in Appendix E and F beginning at pages A39 and A40.

## JURISDICTION

The order of the Court of Appeals (entered in *In Re Perry*) denying Perry's motion to intervene in *Pac-Tec* v. *Amerace* was entered on November 1, 1990 (App. D-A30-38). The order of the court of appeals finally resolving the issues raised as to Perry in its May 9, 1990 opinion in *Pac-Tec* v. *Amerace* was entered on January 14, 1991 (App. E-A40).

Perry filed an application to extend time to file a petition for writ of certiorari on January 19, 1991 (File No., A-558). The application was granted in an order dated January 23, 1991 extending the time for filing a petition for writ of certiorari to March 1, 1991.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## CONSTITUTIONAL, STATUTORY AND FEDERAL RULES PROVISIONS INVOLVED

The constitutional, statutory and federal rules provisions involved in this case, the Fifth Amendment to the United States Constitution, 28 U.S.C. § 2072, and Fed. R. App. P. 38 and 46(c), are set forth in the Appendix K beginning at page A54.

## STATEMENT OF FEDERAL JURISDICTION IN THE FIRST INSTANCE

Jurisdiction in the United States District Court for the Eastern District of Michigan in the first instance was based upon 28 U.S.C. §§ 1331, 1332, 1338, 2201 and 2202.

## STATEMENT OF THE CASE*

Petitioner Owen E. Perry is a lawyer who has been subjected by the United States Court of Appeals for the Federal Circuit to $134,000.18 in sanctions under Rule 38.[1] In addition, the Federal Circuit published an opinion which censured Perry in the most scathing terms[2] and which directly caused him to lose clients.[3] This opinion was based in part on serious errors of fact.[4] The decision to impose sanctions was reached without notice to Perry that the court was contemplating such action against him, and Perry was later denied hearings both with respect to that decision and the court's subsequent determination that the amount of sanctions would be $134,000.[5]

For twenty-nine years Owen Perry has devoted his career almost exclusively to the practice of intellectual property law, primarily as a litigator in the federal courts.[6] A name partner and the principal litigator in his firm, Perry has also been sought out by other intellectual property lawyers to testify as an expert.[7] George E. Frost, who is the former top patent professional for General Motors, and who has taught patent law at the University of Chicago Law School, has known Perry professionally for

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* References to material in the Appendices to this Petition will be cited by Appendix letter and page as App. __ - A__.
References to the transcript of oral argument in the Court of Appeals will be cited as Oral Arg. __.
References to the pleadings and other court papers delivered to the Court of Appeals as part of the Joint Appendix will be cited by Volume (VI, etc.) and page number.

[1] App. F - A40.

[2] App. C - A16-29.

[3] App. I - A47-48.

[4] App. G - A41-43; App. B - A15.

[5] App. D - A33; App. F - A40.

[6] App. I - A46, 49.

[7] App. I - A48.

twenty years[8] and describes Perry's professional reputation as "exemplary."[9] Moreover, Perry has been elected President of the Michigan Patent Law Association, and Chairman of the Patent, Trademark and Copyright Section of the State Bar of Michigan.[10]

This distinguished career was shattered by the Federal Circuit's opinion in *Pac-Tec, Inc. v. Amerace Corp.*,[11] in which Perry was representing Pac-Tec. The court awarded sanctions jointly against Perry and his client under Rule 38, and also censured Perry in unusually harsh language. The opinion labeled Perry's conduct as "a singularly sanctionable sojourn among [*sic*] the hallowed halls of justice"[12] and a "pestiferous pestilence" (*sic*) that went "[b]eyond frivolity . . . infect[ing] the judicial process with a disabling disease of deceit."[13]

Contrary to these derisive attacks, the record supports the reasonableness of Perry's Declaration that he believed in good faith that the patents in issue were invalid.[14] For example, prior to oral argument, Perry's client submitted the briefs to another patent law firm for review and informed Perry that the other firm regarded Pac-Tec's chances of success on the appeal as 50-50.[15] Also, the main issue relied upon by Perry, both in his brief and on oral argument, was "anticipation" under 35 U.S.C. 102. The Federal Circuit referred to this as a "basic" argument,[16] and opposing counsel called it the "principal" argument and "disposi-

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[8] App. J - A51.

[9] *Id.*

[10] App. I - A46.

[11] App. A (*slip opinion*) - A1-14; App. C (*published opinion*) - A16-29.

[12] App. A - A6; App. C - A21.

[13] *Id.*

[14] App. I - A46-47. The court held that "Perry's good faith, if proven, would be irrelevant." App. D-A33.

[15] App. I - A49.

[16] Oral Arg. at 21.

tive."[17] George Frost, in a Declaration submitted to the court below, concluded that this argument was a "genuine and non-frivolous" one.[18] Moreover, counsel for Amerace, who repeatedly filed demands for sanctions throughout the course of the litigation,[19] has never claimed that the anticipation issue was frivolous.

The Perry and Frost Declarations were submitted as part of an unsuccessful effort to persuade the Federal Circuit to afford Perry a hearing and to reconsider its order of sanctions and censure against Perry.[20] This was necessary because the court below failed to give Perry notice that it was considering sanctions against him. As a result, Perry has never had a hearing on whether sanctions and public censure are appropriate in this case. In addition, he has been denied a hearing regarding what amount would constitute "just damages" under Rule 38. Without explanation, the court awarded Amerace $134,000.18 against Perry and Pac-Tec jointly.[21]

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[17] *Id.* at 29-30.

[18] App. J - A51.

[19] Amerace requested sanctions under F.R.Civ.P. 11 in the trial court in motions for sanctions filed April 15, 1988 and September 9, 1988 and in response to a counter-motion for costs and attorneys fees filed by Pac-Tec on October 11, 1988. Amerace was awarded $100.00, assessed against Perry, in an order entered January 27, 1989 in connection with these three requests.

Amerace requested sanctions under F.R.App.P. 38 in response to Pac-Tec's Mandamus Petition in the Federal Circuit (9/15/89), in response to Pac-Tec's Mandamus Petition in the Sixth Circuit (11/28/89), in its brief on appeal (12/18/89) and in response to Perry's 6/27/90 motion in the Federal Circuit (7/20/90). Amerace was awarded $16,600.20 from Pac-Tec in connection with the Federal Circuit mandamus petition in an order filed January 14, 1991, $28,764.00 from Pac-Tec in connection with the Sixth Circuit mandamus petition in an order filed June 13, 1990; and $134,000.18 from Pac-Tec and Perry in connection with the appeal. (App. F - A40.) The request for sanctions in connection with the 6/27/90 motion was denied. (App. D - A37.)

[20] Motion of Owen E. Perry for Leave To Intervene and For Other Relief filed June 27, 1990 in the Federal Circuit.

[21] Amerace had requested $160,666.02, representing the entire amount of Amerace's attorneys fees for the appeal [$137,845.50], estimated fees in

When he received the Federal Circuit's opinion of May 9, 1990,[22] in which the court first accused him of conducting a frivolous appeal and launched its caustic personal attack on him, Perry immediately filed an Emergency Motion to Seal the Opinion, at least until he could have an opportunity to be heard on the issue.[23] In the Emergency Motion, Perry pointed out several material errors in the court's opinion.[24] The court added an Errata sheet to the opinion to correct some, but not all, of the errors but otherwise ignored the motion.[25] Moreover, the court did not modify any of the legal conclusions that had been based in part upon those erroneous criticisms.

Predictably, the news media were attracted by the court's "blistering"[26] opinion in which the judge "minced no words in . . . castigating"[27] a member of the bar. As a result, some of the more florid quotes from the court's personal attack on Perry were published to the intellectual property bar by the *BNA Patent, Trademark & Copyright Journal*,[28] to the community in which

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connection with the preparation of the application for fees [$6,000.00], its expenses on appeal [$14,060.74] and double costs [$2,759.78].

[22] App. A - A1-14.

[23] App. I - A47.

[24] App. G - A41-43.

[25] App. B - A15. For example, the court considered *In re Venezia* to have been a key case, and criticized Perry for having omitted reference to it. App. A - A8; App. C - A23. In fact, Perry had discussed *Venezia* in his reply brief. App. G - A41. The case had been mistakenly omitted from the Table of Authorities. (Ironically, Perry was also the only one who had discussed *Venezia* during oral argument (Oral Arg. at 19); neither the court nor opposing counsel referred to it.) Another example is in footnote 3 of the opinion (App. A - A8; App. C - A23), in which the court originally criticized Perry for having raised an issue for the first time "post-trial," when in fact the issue had been raised during the trial. App. G - A41-42; App. B - A15.

[26] *New York Times*, June 5, 1990, at D2, cols. 4-5.

[27] *BNA's Patent, Trademark & Copyright Journal*, Vol. 40, No. 981, May 17, 1990, P. 69.

[28] *Id.*; App. I - A48.

Perry lives and has his office by the *Pontiac-Oakland County Legal News*,[29] and to the nation by the *New York Times*.[30]

Also, as a direct result of the opinion, Perry was immediately fired by Pac-Tec (whom he had served for twenty years),[31] removed as lead counsel by another client,[32] and directed not to present oral argument in another appeal before the Federal Circuit.[33] In addition, his credibility as an expert witness on intellectual property matters has been severely damaged if not destroyed. Finally, his former client, Pac-Tec, has made clear its intention to sue Perry for malpractice and to hold him fully responsible for the $134,000 sanctions.[34]

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[29] App. I - A48.

[30] *Id.*; *New York Times*, June 5, 1990, at D2, cols. 4-5.

[31] App. H - A44; App. I - A46-47.

[32] App. I - A47.

[33] *Id.*

[34] App. I - A47. Perry has been recently advised that Amerace and Pac-Tec have settled the underlying suit, and Pac-Tec has agreed to satisfy all amounts awarded Amerace under F. R. App. P. 38. Pac-Tec has also advised Perry that it intends to seek reimbursement from him for these payments.

## REASONS FOR GRANTING THE WRIT

### I

### THERE ARE SERIOUS CONFLICTS AMONG THE FEDERAL CIRCUITS IN INTERPRETING AND IMPOSING SANCTIONS UNDER RULE 38, AND THESE CONFLICTS ARE UNFAIR TO LAWYERS AND LITIGANTS AND HARMFUL TO THE ADMINISTRATION OF JUSTICE.

There is no right of appeal from sanctions imposed against an attorney by an appellate court. This lack of review is all the more serious when the sanctions have been ordered, as in the present case, without notice or hearing. Thus, the lawyer is denied the procedural justice of a hearing before the decision, and is then denied the procedural justice of review after the decision.

In addition, the circuit courts are in sharp disagreement regarding the most important issues of substance and procedure under Rule 38. Professor Robert J. Martineau has divided the circuits into those that are "aggressive," "reluctant," and "uncertain."[35] As a champion of the aggressive use of sanctions, Professor Martineau finds that the serious conflicts among the circuits substantially weaken the deterrent effect of appellate sanctions.[36] In addition, he points to the inequities to lawyers and litigants that inevitably result when enforcement practices vary from circuit to circuit.[37]

Uniformity and equal treatment do not require, however, that Rule 38 be applied aggressively. The aggressive use of sanctions "makes the practice of law less civil."[38] "All persons involved in

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[35] Martineau & Davidson, *Frivolous Appeals in the Federal Courts: The Ways of the Circuits*, 34 Amer. U. L. Rev. 603 (1985); Martineau, *Frivolous Appeals: The Uncertain Response*, 1984 Duke L. Jour. 845.

[36] 34 Amer. U.L. Rev. at 660.

[37] *Id.* at 660-661.

[38] Stein, *Rule 11 in the Real World: How the Dynamics of Litigation Defeat the Purpose of Imposing Attorney Fee Sanctions for the Assertion of*

the judicial process . . . owe a duty of courtesy to all other participants," and criticisms should be cast in a "professional and civil tone." *In re Snyder*, 472 U.S. 634, 647, 105 S.Ct. 2874, 2882 (1985). Yet sanctions lend themselves to use as a "tactic of intimidation and harassment." *Gaiardo v. Ethyl Corp.*, 835 F.2d 479, 485 (3d Cir. 1987)[39] The opinion in the court below,[40] in its nasty personal attack on Owen Perry, is illustrative of how readily the aggressive use of the sanctioning power can lead judges to set an example of an unprofessional and incivil tone.

This case presents a unique opportunity for the Court to resolve (in either an aggressive or a restrained direction) the three most important substantive issues of Rule 38: (1) the meaning of "frivolous," and, particularly, whether bad faith is an element of frivolousness, (2) if not, whether the attorney's good faith is relevant to the amount of "just damages," and (3) whether sanctions can be imposed (and, if so, to what extent) if the appeal is frivolous only in part. These issues are addressed in Part I of this Petition.

In addition, this case presents the most important procedural issues under Rule 38: whether an appellate court can order sanctions against an attorney without affording the attorney notice and a hearing, and whether the amount of sanctions can then be

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*Frivolous Legal Arguments*, 132 F.R.D. 309, 327 (1990); Elson & Rothschild, *Rule 11: Objectivity and Competence*, 123 F.R.D. 361 (1989); Weiss, *A Practitioner's Commentary on the Actual Use of Amended Rule 11*, 54 Fordham L. Rev. 23 (1985).

[39] For example, in the present litigation, counsel for Amerace unsuccessfully requested Rule 11 sanctions on two occasions before succeeding on the third try. Unfortunately, this kind of scatter-gun tactic makes sense, particularly in an "aggressive" circuit. "[J]udges are prone to rule incorrectly on [sanction] motions; they can too often be persuaded to impose sanctions against a legal position that is not at all frivolous. Thus, . . . lawyers have all the more incentive to threaten and seek sanctions as a means of prevailing on the merits." Stein, *Rule 11 in the Real World: How the Dynamics of Litigation Defeat the Purpose of Imposing Attorney Fee Sanctions for the Assertion of Frivolous Legal Arguments*, 132 F.R.D. 309, 316 (1990).

[40] App. C - A16-29.

determined without a hearing. These issues are addressed in Part II of this Petition.

### A. Attorney Perry Should Not Have Been Subjected to Sanctions Under Rule 38 for an Allegedly Frivolous Appeal, Because His Position Was "Arguable."

A legal point is "not frivolous" if it is "arguable" on its merits. *Anders v. California*, 386 U.S. 738, 744, 87 S.Ct. 1396, 1400 (1967) (Applying the Sixth Amendment). Elaborating on this definition, this Court has recently used phrases like "obviously insupportable," "outlandish," and "indisputably meritless." *Neitzke v. Williams*, 490 U.S. ____, ____, 109 S.Ct. 1827, 1832-1833 (1989) (Interpreting 28 U.S.C. 1915(d)). Analogous are factual contentions that describe "fantastic or delusional scenarios." *Id.*, 109 S.Ct. at 1833. This language makes it clear that the standard for frivolousness is an extremely limiting one.

Like the five other "aggressive" courts, the court below has gotten the words but not the essential meaning of this Court's standard of frivolousness.[41] The opinion below refers to issues in Perry's appeal as "frivolous" and to the entire appeal as "utterly meritless." 903 F.2d at 802-804.[42] In fact, however, his appeal was not frivolous in the sense that this Court has explained the standard in *Anders* and *Neitzke*. As demonstrated by Declarations

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[41] In addition to the Federal Circuit, the "aggressive" courts are the First, the Fifth, the Sixth, the Ninth, and the Eleventh. Martineau & Davidson, *Frivolous Appeals in the Federal Courts: The Ways of the Circuits*, 34 Amer. U.L. Rev. 603 (1985). Presumably, these circuits would also have awarded sanctions in this case. On the other hand, the "reluctant" courts, which probably would not have awarded sanctions, are the Third, the Fourth, the Eighth, and the District of Columbia Circuits. The "uncertain" courts are the Second, Seventh, and Tenth Circuits. *Id.*

[42] Another Federal Circuit panel, however, has found that an appeal was not frivolous despite finding the argument to have been "unequivocally . . . without merit." *Trojan, Inc. v. Shat-R-Shield, Inc.*, 885 F.2d 854, 857 (Fed. Cir. 1989).

submitted by Perry to the court below,[43] his appeal, far from being "outlandish," was "arguable."

First, Perry himself, a veteran of twenty-nine years of intellectual property practice, believed that the patents in issue were invalid.[44] Second, prior to oral argument in the Federal Circuit, Perry's client, Pac-Tec, submitted the briefs to another patent firm and informed Perry that the other firm considered Pac-Tec's chances to be 50-50.[45]

Most important is the main issue relied upon by Perry, both in his brief and on oral argument, which was "anticipation" under 35 U.S.C.§102. The anticipation issue was also the principal focus of the Declaration submitted to the court below by George E. Frost.[46] Frost is the former head of General Motors' patent division worldwide and has taught patent law at the University of Chicago. In his opinion, anticipation was a "genuine and non-frivolous" argument.[47]

A major criticism of Perry in the opinion below is that he "nowhere respond[ed] to any of the authorities cited by Ameraace" regarding anticipation. App C - A23.[48] This is incorrect. An

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[43] App. I - A46-49; App. J - A50-53. These Declarations were submitted as part of an unsuccessful effort by Perry to obtain a hearing to determine whether the appeal had been frivolous. In effect, the Declarations constitute an offer of proof.

[44] App. I - A46-47.

[45] App. I - A49.

[46] App. J - A51-53.

[47] App. J - A51.

[48] Inconsistently, the court below also complained in the same sentence that Perry did not list *Venezia* in the Table of Authorities in his Reply Brief.

This sentence was one of the corrections made by the court below to its May 9 opinion following receipt of Perry's emergency motion. *See* App. G - A41-43; App. B - A15.

The May 9 opinion required correction because it explicitly and erroneously stated (1) that Perry "nowhere even mention[ed]" *In re Venezia*, a case relied upon by the district court, in the Pac-Tec briefs, (2) that the patent marking

important case on anticipation was *In re Venezia*, 530 F.2d 956 (CCPA 1976). Both in his Reply Brief (at p. 13) and at the oral argument (Tr. 19-20) Perry replied to Amerace's use of *Venezia*, distinguishing it and arguing that, properly interpreted, *Venezia* supported his position. Significantly, George Frost made the same argument regarding the *Venezia* case in reaching the conclusion that anticipation was a "genuine and non-frivolous argument."[49]

Clearly, therefore, in concluding that Perry's anticipation argument was "frivolous" (App C - A23), the Federal Circuit used the word in a way inconsistent with this Court's explanation that an "arguable" point is not frivolous.

Perhaps the most damaging criticism by the court below related to the issue of bias of the trial judge, and focused on Perry's obvious confusion regarding whether the trial court had obtained a casting through an extrajudicial contact with the manufacturer as well as from Perry. App. C - A26-28. In fact, the trial court's statement was ambiguous on the point.[50] More

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issue was first raised "post-trial," and (3) that Perry "falsely" stated in the briefs that certain prior art excluded by the trial court was discovered during the trial. Perry's promptly filed emergency motion correctly pointed out that the *Venezia* decision *was* discussed in Pac-Tec's reply brief, that patent marking issue was *not* raised "post-trial", and the excluded prior art device *was* only discovered during the trial.

Instead of ruling on the emergency motion, the Court issue an errata sheet (App. B - A15) to correct the misstatement. The opinion as printed in the Federal Reporter and United States Patent Quarterly incorporated the errata sheet corrections, simply substituting the materially different corrected statements for the admittedly erroneous statements which had been included in the slip opinion. The uncorrected slip opinion had been earlier distributed throughout the intellectual property bar through BNA's subscription service.

[49] App. J - A51. Frost did not have an opportunity to review the entire record on appeal, but he did review the Federal Circuit's opinion of May 9, 1990, the briefs of the parties, and the transcript of the oral argument. On that basis, he declared himself "satisfied that the argument of anticipation under 35 USC 102 . . . was a genuine and non-frivolous argument to place before this Court." App. J - A51.

[50] Hearing on Motion to Quash Subpoena upon Amerace Corporation, Feb. 27, 1989 (Tr. 11):

important, however, is that Perry's argument regarding bias was incompletely stated in the opinion below.[51]

Perry also argued in the court below that the trial judge was biased against Pac-Tec because of Perry's refusal (on behalf of his client) to settle the case pursuant to the judge's vigorous efforts to dispose of the case.[52] Pac-Tec was willing to pay fifty cents a casting for a license from Amerace, but Amerace was insisting upon $2.00, which Pac-Tec considered prohibitive and unrealistic.[53] The trial court therefore charged that "Mr. Perry's

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THE COURT: . . . The same manufacturer made the same casting. They're so identical that I couldn't believe it until I — In order to satisfy myself of that, I don't know whether I had my court clerk, Ms. Hartson, do it personally on the phone or whether I had her write a letter, or what, but I had the acual casting sent to me so I could compare them . . . .

[51] "A judge awarding sanctions is often advocating the correctness of his decision and is likely to do so convincingly . . . . [A court in an] opinion 'has the power to make an attorney's argument seem frivolous.' " *Hill v. Norfolk & Western Ry. Co.*, 814 F.2d 1192, 1203 (7th Cir. 1987) (Parson, J., dissenting in part), quoting Nelkin, *Sanctions Under Rule 11 — Some 'Chilling' Problems in the Struggle Between Compensation and Punishment*, 74 Geo. L.J. 1313, 1339-1340 & n. 172 (1986).

[52] The court below erroneously says that the charge of bias related to the trial judge's "expression of dissatisfaction with counsel's failure to appear at a hearing on a motion to quash a subpoena." App. A - A13; App. C - A28. To the contrary, Perry's Bnef in the Federal Circuit (at p. 45) specifically refers to bias due to what the trial judge "perceived to be the failure of Pac-Tec to take a reasonable position on settlement."

[53] *E.g.*, Hearing on Plaintiff's Motion for Summary Judgment, April 15, 1988, Tr. 14-15:

MR. PERRY: . . . [I]t can't be settled because there is no license available. So that's out of the question.

THE COURT: Oh, isn't there in this case? I thought you told me at the conference that they'd give you a license.

MR PERRY: No, Sir, not at any reasonable price. Two dollars.

THE COURT: The question I asked — See, you keep changing everything I say. The question I asked at the pre-trial was was there a license available. I got in my notes that there is.

MR. PERRY: There isn't.

obstinacy is the big deal here."[54] The court also said: "I've been left with the impression that he hasn't been reasonable about anything. And I am not going to be very, very sociable if my time is further wasted."[55] Of course, the decision regarding settlement was not Perry's to make but his client's,[56] and the judge's displeasure was therefore directed at the client through Perry.

The court below relies upon "the rule that remarks concerning counsel's conduct cannot evidence bias against a *party*." App. C - A28 (emphasis is original). However, Perry had anticipated that rule in his brief, and had refuted its applicability to his case by citing (at p. 45 of his brief) *Anderson v. Sheppard*, 856 F.2d 741 (6th Cir. 1988). There the judge had expressed some of his criticisms against counsel, but they were effectively directed against the client (*e.g.*, a comment that the lawyer *"even got a victory for you in the Court of Appeals, after I threw the case out, put egg on my face . . . .*"). 856 F.2d at 742-743 (italics in the original). The same case refers to an appearance of bias having resulted, as in this case, from the trial judge's involvement in the settlement process. 856 F.2d at 747, n. 1.

Thus, Perry did in fact have an "arguable" basis to pursue the bias issue on appeal, and the court below was wrong to categorize it as "frivolous."

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THE COURT: Oh, there isn't? Because you don't want to pay whatever they think the license is worth.

MR PERRY: A license at $2.00 a casting is out of the question. We couldn't compete and everybody knows that. That's about 40 percent license or something like that. So it's not realistic to the extent that was considered being an offer in good faith.

[54] Hearing on Motion to Quash Subpoena upon Amerace Corporation, Feb 27, 1989, Tr. 17. (VI, p. 154) The court also accused Perry of having an "insolent manner." *Id. But see* previous footnote.

[55] *Id.* at 15.

[56] ABA *Model Rules of Professional Conduct*, Rule 1.2 (1983):

(a) . . . A lawyer shall abide by a client's decision whether to accept an offer of settlement of a matter . . . .

**B. Perry's Good Faith Belief That His Appeal Was Meritorious Precluded a Finding of Frivolousness or, At Least, Should Have Been Considered in Mitigation of Damages.**

The court below held that "Perry's good faith, if proven, would be irrelevant." [App. D - A33.] There are sharp splits among the circuits — even within circuits — on this crucial issue.

In support of its holding, the court below cited *Hill v. Norfolk & Western Ry. Co.*, 814 F.2d 1192 (7th Cir. 1987); *McCandless v. Great Atlantic and Pacific Tea Co.*, 697 F.2d 198 (7th Cir. 1983); and *Coughlan v. Starkey*, 852 F.2d 806 (5th Cir. 1988).[37] Other decisions to the same effect include *E.H. Ashley & Co., Inc. v. Wells Fargo Alarm Services*, 907 F.2d 1274 (1st Cir. 1990); *Hilmon Company v. Hyatt International*, 899 F.2d 250 (3d Cir. 1990); *Mars Steel Production v. Continental Bank, N.A.*, 880 F.2d 928, 938 (7th Cir. 1989); and *Braley v. Campbell*, 832 F.2d 1504 (10th Cir. 1987).

In conflict with its decisions in *Hill* and *Mars*, however, the Seventh Circuit has also used a two-step analysis, first finding frivolousness but then going on to examine "whether the appeal is an appropriate one for the imposition of a sanction." *Ruderer v. Fines*, 614 F.2d 1128, 1132 (7th Cir. 1980). At the second step, "[t]ypically, the courts have looked for some indication of the appellant's bad faith. . . ." *Id.* Seventh Circuit cases agreeing with this two-step method incude *Henry v. Farmer City State Bank*, 808 F.2d 1228, 1241 (7th Cir. 1986); *Mays v. Chicago Sun-Times*, 865 F.2d 134, 138-139 (7th Cir. 1989), cert. den. __ U.S. __, 110 S.Ct. 259 (1989); and *Rodgers v. Wood*, 910 F.2d 444, 449 (7th Cir. 1990).

The Federal Circuit is itself sharply split. Some cases (like this one) determine frivolousness on the basis of the work product alone. However, in *Devices for Medicine, Inc. v. Boehl*, 822 F.2d

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[37] In fact, the *McCandless* cite is incorrect. The court there held that the "empty head and pure heart" argument was "not without merit," and found that it "need not decide" the issue. 697 F.2d at 200, 201.

1062, 1068-1069 (Fed. Cir. 1987), the court looked beyond the work product to find "an unequivocal exhibition of bad faith abuse of the judicial process."[58]

The Sixth Circuit has held, contrary to the court below, that an appeal is frivolous if it is "obviously without merit *and* is prosecuted for delay, harassment, or other improper purpose." *Dallo v. INS*, 765 F.2d 581, 589 (6th Cir. 1985) (emphasis added); *N.L.R.B. v. Cincinnati Bronze, Inc.*, 829 F.2d 585, 591 (6th Cir. 1987) (emphasis added).

This Court has required "a specific finding as to whether counsel's conduct . . . constituted or was tantamount to bad faith" as a prerequisite to imposing sanctions under a court's inherent powers. *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 767, 100 S.Ct. 2455, 2465 (1980). Counsel's right to such a finding as a prerequisite to sanctions against him cannot be abridged or modified by the rules of procedure. *Cooter & Gell v. Hartmarx*, 496 U.S. ___, ___, 110 S.Ct. 2447, 2453 (1990), citing the Rules Enabling Act, 28 U.S.C. §2072.

Also, it is important to the administration of justice that rules of procedure be construed whenever possible in a way that is consistent with lawyers' professional obligations under applicable disciplinary rules. Under the *Model Rules of Professional Conduct* (1983), a "frivolous" action is defined in terms of good faith.[59] Moreover, the advocate has an ethical "duty" to use legal procedure "for the fullest benefit of the client's cause." *Id.* Thus,

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[58] *Dreamlite Holdings Ltd. v. Kraser*, 890 F.2d 1147, 1149 (Fed. Cir. 1989), cert. den. ___ U.S. ___, 110 S.Ct. 1924 (1990), found an appeal to have been "vexatious." "Vexatious" appears to be tantamount to bad faith, but this is not clear. *See McCandless v. Great Atlantic & Pacific Tea Co.*, 697 F.2d 198, 200 (7th Cir. 1983).

[59] "The action is frivolous . . . if the client desires to have the action taken primarily for the purpose of harassing or maliciously injuring a person, or if the lawyer is unable either to make a good faith argument on the merits of the action taken or to support the action taken by a good faith argument for an extension, modification or reversal of existing law." Comment to Model Rule 3.1, *Meritorious Claims and Contentions*.

a lawyer has an ethical duty to give the client the benefit of a good faith argument, but the lawyer might nevertheless be subjected to sanctions by a court that rejected the lawyer's argument and considered irrelevant his good faith in having made the argument.

At the very least, just as bad faith may be an aggravating factor, the court below should have considered Perry's good faith as a mitigating factor in assessing "just damages" under Rule 38. *See Coughlan v. Starkey*, 852 F.2d 806, 814 (5th Cir. 1988).

### C. Attorney Perry Should Not Have Been Subjected to Sanctions for a Frivolous Appeal Because, Even Assuming That Some Aspects of the Appeal Were Frivolous, His Principal Argument Was Not.

Rules relating to sanctions for litigation abuse are to be given a plain-meaning reading. *Pavelic & Leflore v. Marvel Entertainment Group*, 493 U.S., ___, ___, 110 S.Ct. 456, 458 (1989); *Cooter & Gell v. Hartmarx*, 496 U.S. ___, ___, 110 S.Ct. 2447, 2453 (1990).

The meaning of Rule 38 could not be plainer. The rule does not provide for damages against an attorney if "an issue" or "some issues" on appeal are frivolous. Nor does the rule refer to "part of an appeal" or even to "most of an appeal." Rather, the language is: "If a court of appeals shall determine that *an appeal* is frivolous, it may award just damages. . . ." (Emphasis added).

This Court has recently given a plain-meaning reading to a statute providing for dismissal of a claim if "the action" is frivolous. The Court held that "the action" is frivolous only when "none" of the legal points is arguable on the merits. *Neitzke v. Williams*, 490 U.S., ___, ___, 109 S.Ct. 1827, 1831 (1989). Similarly, under Rule 38, "an appeal" can be frivolous only when none of the legal points is arguable on the merits.

Contrary to a plain-meaning reading, the court below held that "one frivolous argument, if there were one, would not

preclude the Rule 38 sanction imposed in this case."[60] In fact, the main issue relied upon by Perry, both in his brief and on oral argument, was non-frivolous.[61]

There are splits among and even within the circuits on the issue of whether an appeal must be wholly frivolous before sanctions may be ordered under Rule 38. *Moore's Federal Practice*, para. 238.03[2], p. 38-14. The Seventh Circuit has held against an award of sanctions for a partially frivolous appeal on the practical ground that "the marginal costs of knocking out the frivolous claims in a suit that has a meritorious core usually are not great." *Miller Brewing Company v. Brewery Workers Local Union No. 9*, 739 F.2d 1159, 1168 (7th Cir. 1984), *cert. den.* 469 U.S. 1160, 105 S.Ct. 912 (1985). The same circuit has also held that "[a]lthough some of appellant's arguments are clearly meritless, we cannot say that his appeal as a whole is without merit." *Rodgers v. Wood*, 910 F.2d 444, 449 (7th Cir. 1990). Yet the Seventh Circuit has also distinguished *Miller Brewing* and awarded damages for a partially frivolous appeal where it found "one colorable (though losing) claim amidst an ocean of frivolous ones." *Hill v. Norfolk & Western Ry. Co.*, 814 F.2d 1192, 1200 (7th Cir. 1987).

Decisions in the First, Third, Ninth and Tenth Circuits have denied sanctions where at least part of the appeal was non-frivolous. *Kowalski v. Gagne*, 914 F.2d 299, 309 (1st Cir. 1990); *Standard Terry Mills v. Shen Manufacturing Company*, 803 F.2d 778, 783 (3rd Cir. 1986); *United Food & Commercial Workers Union v. Alpha Beta Company*, 736 F.2d 1371, 1383 (9th Cir.

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[60] App. D - A34.

[61] This was the issue of "anticipation" under 35 U.S.C. §102. The Federal Circuit referred to this as a "basic" argument (Oral Arg. at 21), and opposing counsel called it the "principal" argument and "dispositive." *Id.* at 28-30. George Frost, formerly the top patent attorney for General Motors, has formally declared that the anticipation argument was a "genuine and non-frivolous" one, and explained why. App. J - A51-53. Moreover, counsel for Amerace, who filed demands for sanctions throughout the course of this litigation, has never claimed that the anticipation issue was frivolous.

1984); and *White v. General Motors Corporation*, 908 F.2d 669, 674 (10th Cir. 1990).

Finally, if a plain-meaning reading is to be rejected, then at least sanctions should not be imposed when the primary argument on the appeal is non-frivolous, as in the present case. *United Food & Commercial Workers Union v. Alpha Beta Co.*, 736 F.2d at 1383. Or, if sanctions are imposed, they should not be imposed upon non-frivolous arguments, but should be limited to those arguments that are frivolous. *Hill v. Norfolk & Western Ry. Co.*, 814 F.2d at 1200.

## II

## THE COURT BELOW DENIED ATTORNEY PERRY NOTICE AND A HEARING BEFORE IMPOSING SANCTIONS AGAINST HIM, IN CONFLICT WITH DECISIONS OF THIS COURT, RULE 46(c), AND DUE PROCESS OF LAW.

The court below ordered sanctions against Perry in its May 9, 1990 opinion. Prior to that opinion, the court had never indicated to Perry that it was contemplating sanctions against him. Thereafter, when Perry requested a hearing on whether he should be subjected to sanctions,[62] the court denied him a hearing.[63] Then, when Perry requested a hearing on the amount of sanctions that would be awarded,[64] the court ignored the request. Thus, Perry was subjected to $134,000 in sanctions and to scathing public censure without notice and without a hearing.

The response of the court below regarding notice and hearing is contrary to the most fundamental concepts of Anglo-American procedure. According to the court below, Perry had three forms of

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[62] Motion for Leave to Intervene and For Other Relief filed June 27, 1990 in the Federal Circuit.

[63] App. D - A33.

[64] Supplemental Opposition of Owen E. Perry to Amerace's Application for Attorneys Fees and Double Costs filed November 14, 1990 in the Federal Circuit, pp. 10-11.

notice. One was the existence of Rule 38, which Perry was "expected to know and follow." App. D - A34. A second was the fact that the court below had indicated that it "will not hesitate" to apply sanctions against parties and their counsel "in appropriate cases." App. D - A35. Yet a third form of notice was that Perry's opponent had "expressly stated in its brief that it was seeking attorney's fees." *Id.*

Thus, two sources of notice consisted simply in the existence of a rule and a history of enforcement of the rule against others "in appropriate cases." (Not surprisingly, no authority is stated for this proposition.) As this Court has held, "Reasonable notice of a *charge* . . . before punishment is imposed is basic in our system of justice." *Taylor v. Hayes*, 418 U.S. 488, 498, 94 S.Ct. 2697, 2703 (1974) (Emphasis added).

The third form of notice — the request for sanctions in Amerace's brief — does require a response, because the court's statement is, at best, highly misleading. In fact, although Amerace requested sanctions with respect to other issues, it did not do so with respect to either the anticipation issue (pp. 11-12 above) or the bias issue (pp. 12-14 above). The court below acted *sua sponte* in imposing sanctions on both these issues, the first of which was the "principal" and "dispositive" issue in Perry's brief and oral argument.

Further, the court below cites two cases in support of the notion that an opponent's request for sanctions constitutes notice that the court (as distinguished from one's adversary) is contemplating sanctions. One is *Braley v. Campbell*, 832 F.2d 1504, 1515 (10th Cir. 1987). But *Braley* in fact says that "when the court intends to consider such sanctions sua sponte, due process is satisfied by issuance of an order to show cause . . . ." *Id.* Perry, of course, never had the notice of an order to show cause prior to the *sua sponte* action of the court below.

The other case cited by the court below is *Mays v. Chicago Sun-Times*, 865 F.2d 134, 139-140, n.3 (7th Cir. 1989). Again, the court in *Mays* did not act *sua sponte*, as did the court below.

Further, the *Mays* court notes that the sanctioned attorney "did not request a hearing on possible sanctions." *Id.* In the present case, Perry did so.[65]

The court below has similarly contended that Perry in fact had "an opportunity to be heard," not once but twice. App. D - A36. These opportunities, the court said, were in his client's reply brief and on oral argument. First, Perry had no reason to use those occasions to discuss frivolousness with respect to those issues that the court raised *sua sponte*. Second, a twenty-five page reply brief and a twenty-minute oral argument is barely adequate to argue a client's case, much less the lawyer's own case as well. As this Court has pointed out, the issue of sanctions "requires the determination of a collateral issue, whether the attorney has abused the judicial process, and if so, what sanctions would be appropriate." *Cooter & Gell v. Hartmarx*, 496 U.S. ___, ___, 110 S.Ct. 2447, 2456 (1990). Thus, if Perry had used his client's opportunity for oral argument as the occasion for defending himself on collateral issues, he would have been in an unethical conflict with his client's interests.[66]

Moreover, Perry's request for an evidentiary hearing regarding the amount of sanctions was also denied. Amerace requested $160,666.02 in lawyers' fees and, with neither hearing nor explanation, the court awarded $134,000.18. App. F - A40. Thus, Perry had no opportunity to examine Amerace's attorneys regarding what, on its face, appears to be an excessive demand.

Unfortunately, even when lawyers bill their own clients, there is evidence that serious overbilling occurs. Lerman, *Lying to Clients*, 138 U. Pa. L. Rev. 659 (1990). The *Wall Street Journal* recently reported that companies are increasingly retaining auditors "to scrutinize law-firm bills and ferret out inefficiency, duplication of effort, errors and even fraud." P. B1, Feb.

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[65] Perry did not ask for a hearing in response to Amerace's brief. If that is to be the required procedure, it should be established by this Court and not at the end of an obscure footnote in a circuit court opinion.

[66] *See Model Rules of Professional Conduct*, Rule 1.7(b).

13, 1991. Auditors, the *Journal* reports, "turn up both mistakes and subterfuge." *Id.* If "sometimes distrust is warranted" regarding lawyers' bills to their own clients, *Id.*, surely Perry was justified in having sought an evidentiary hearing before being penalized an unexplained and implausible sum. However, this hearing too was denied him.

It is clear, therefore, that on two occasions in the court below Perry was deprived of the right to be heard at a meaningful time and in a meaningful manner on matters of the gravest importance. *See Armstrong* v. *Manzo*, 380 U.S. 545, 552, 85 S.Ct. 1187, 1191 (1965).

**A. Rule 46(c) Requires That Attorney Perry Be Given Notice and a Hearing Before Being Subjected to Sanctions and to Public Censure for an Allegedly Frivolous Appeal and for Going "[b]eyond frivolity" to the Point of "deceit."**

Rules relating to sanctions for litigation abuse are to be given a plain-meaning reading. *Pavelic & Leflore* v. *Marvel Entertainment Group*, 493 U.S. ___, ___, 110 S.Ct. 456, 458 (1989); *Cooter & Gell* v. *Hartmarx*, 496 U.S. ___, ___, 110 S.Ct. 2447, 2453 (1990). In addition, the rules are to be read in "total context." *Pavelic & Leflore*, 493 U.S. at ___, 110 S.Ct. at 458. *See also Fort Stewart Schools* v. *F.L.R.A.*, 495 U.S. ___, ___, 110 S.Ct. 2043, 2046 (1990), where this Court unanimously reiterated that the proper inquiry is "the particular statutory language at issue, as well as the language and design of the statute as a whole."

Contrary to that teaching, the court below amputated Rule 38 from the body of the Federal Rules, and held that "Rule 46(c) was nowhere involved." App D - A36. Giving Rules 38 and 46(c) a plain-meaning reading, however, in the light of the language and design of the Federal Rules as a whole, one can only conclude that Rule 38 must be read in conjunction with Rule 46(c).

The meaning of Rule 46(c) could not be more plain. Before disciplinary action may be taken against a lawyer for failure to

comply with "these rules" or "any rule of court," the lawyer must be afforded "reasonable notice and an opportunity to show cause to the contrary [and] a hearing, if requested." Unquestionably, Rule 38 is one of "these rules" and, if not, then it is a "rule of the court."

Just as Rule 46(c) deals with the procedure for taking action against an attorney, the title to Rule 38 tells us that it deals with "Damages . . ." — not with procedure. Rule 38 says: "*If* a court of appeals shall determine that an appeal is frivolous, it may award damages . . . ." That is, Rule 38 contemplates that a determination of frivolousness *may* be made, but it does not purport to say *how* that determination is to be made. That issue is left to Rule 46(c), which speaks expressly to procedural requirements under "these rules."

This plain-meaning reading of Rule 38 and 46(c) is mandated for five additional reasons. The first is that such a construction makes it unnecessary to reach the issue of whether notice and hearing are required as a matter of Due Process. As this Court has recently reaffirmed, "We avoid constitutional issues when resolution of such issues is not necessary for disposition of a case." *In re Snyder*, 472 U.S. 634, 642, 105 S.Ct. 2874, 2880 (1985).

A second reason for applying the procedural requirements of Rule 46(c) is that the opinion of the court below condemns Perry for alleged misconduct going "[b]eyond frivolity" and even including "deceit." [App A - A6; App C - A21.] There is no justification whatever in Rule 38 for the imposition of sanctions for reasons other than that an appeal is frivolous. Clearly, therefore, the court below overreached itself in punishing Perry for reasons outside the words of Rule 38 and without affording him the safeguards of Rule 46(c).

A third reason is "the policy of not discouraging meritorious appeals." *Cooter & Gell v. Hartmarx*, 496 U.S. at ___, 110 S.Ct. at 2462. Nothing could more readily chill a lawyer who is considering taking an appeal, however meritorious, than the threat that an adverse decision could result in substantial sanctions, including

scathing public condemnation, without notice and the opportunity to be heard in his own defense.

A fourth reason is that Rules 38 and 46(c) should be read in the light of the due process requirements of *Roadway Express, Inc. v Piper*, 447 U.S. 752, 100 S.Ct. 2455 (1980) (discussed in the next section of this Petition). The Rules Enabling Act, 28 U.S.C. §2072, forbids the enactment of rules that abridge or modify any substantive right. *Cooter & Gell v. Hartmarx*, 496 U.S. ___, ___, 110 S.Ct. 2447, 2453 (1990). Thus, Rule 46(c) is designed to maintain the rights recognized in *Roadway Express*.[67]

A fifth reason for requiring a hearing before imposing sanctions is that the relevant legal standards are "fact dependent" and require the court to consider issues "rooted in factual determinations," and to make "fact-intensive, close calls." *Cooter & Gell*, 496 U.S. at ___, 110 S.Ct. at 2459-2460.

Unfortunately, other circuit courts have also bypassed Rule 46(c) in awarding sanctions. *See, e.g., Adamson v. Wharton*, 771 F.2d 41, 43, n. 4 (2d Cir. 1985), citing Martineau, *Frivolous Appeals: The Uncertain Federal Response*, 1984 Duke L.J. 845, 873-877. It is important, therefore, that this Court clarify the relationship between Rule 38 and Rule 46(c).

### B. Due Process Requires That Attorney Perry Be Afforded Notice and a Hearing Before Being Subjected to $134,000 in Sanctions and to Public Censure That Directly Caused Him to Lose Clients.

"Like other sanctions, attorney's fees certainly should not be assessed . . . without fair notice and an opportunity for a hearing on the record." *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 767, 100 S.Ct. 2455, 2464 (1980). "[T]he power of the court should never be exercised without . . . affording [an] ample op-

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[67] *See also*, Burbank, *Sanctions in the Proposed Amendments to the Federal Rules of Civil Procedure: Some Questions About Power*, 11 Hofstra L. Rev. 997 (1983).

portunity of explanation and defense." *Bradley v. Fisher*, 80 U.S. (13 Wall) 335, 354-355 (1871).

A principal purpose of Rule 38 of the Federal rules of Appellate Procedure is "to penalize an appellant who takes a frivolous appeal." *Burlington Northern Railroad Company v. Woods*, 480 U.S. 1, 7, 107 S.Ct. 967, 970 (1987). Under Rule 38, "damages are awarded . . . as a matter of justice to the appellee and as a penalty against the appellant." *Id.*, 480 U.S. at 4, 107 S.Ct. at 969, quoting Advisory Committee's Notes on Fed. Rule App. Proc. 38, 28 U.S.C.App., p. 492. This penal aspect of Rule 38 makes the need for due process particularly acute.

Moreover, this is not simply a case of sanctions under Rule 38, however substantial they may be. The court below went so far as to accuse (and convict) Perry of "deceit." App. A - A6; App. C - A21. Thus, like the lawyer in *Gardiner v. A.H. Robins*, Perry has been subjected to a "governmental attack on [his] good name, reputation, honor, and community standing." 747 F.2d 1180, 1191 (8th Cir. 1984).[**] Although the judge in *Gardiner* had actively participated in various aspects of the case, it was a violation of due process for him to publicly reprimand the lawyer and others without giving them notice and an opportunity for a hearing. 747 F.2d at 1183, 1184, 1191. "A court must hear before it condemns." 747 F.2d at 1183.

The crucial difference that a hearing can make is illustrated by *MacArthur Area Citizens Ass'n v. Republic of Peru*, 809 F.2d 918 (D.C. Cir. 1987). There a panel consisting of Judges Bork, Starr, and McGowan issued an order to show cause why counsel should not be disciplined. The court clearly was of the opinion that such action was warranted. *See* 809 F.2d at 923-924. Following the hearing, however, the court stated that "we are now

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[**] "[M]ost lawyers are wise enough to know that their most precious asset is their professional reputation." *Cooter & Gell v. Hartmarx Corporation*, 496 U.S. ___, ___, 110 S.Ct. 2447, 2464-2465 (1990) (Stevens, J., concurring in part and dissenting in part).

persuaded . . . that no action as to disciplinary measures is warranted." 823 F.2d 606, 607 (D.C. Cir. 1987).

The Federal Circuit has held that a hearing is not required by due process. The leading case is *Toepfer v. Department of Transportation*, 792 F.2d 1102 (Fed. Cir. 1986). In *Toepfer*, however, the court relied on a single case, *Hyde v. Van Wormer*, 474 U.S. 992, 106 S.Ct. 403 (1985), characterizing it as one in which this Court awarded damages "without a hearing." *Id.* However, the memorandum opinion in *Hyde* consists of a single paragraph, and it makes no reference to whether there was a hearing or to whether a hearing had even been requested in response to the motion for sanctions. It seems unlikely, therefore, that *Hyde* was intended by the Supreme Court to overrule *Roadway Express, supra*, and the many cases that have followed it.

Furthermore, *Hyde* involved sanctions totaling $500 and *Toepfer* only $100. It has been said that due process varies depending upon the penalty imposed. *Miranda v. Southern Pacific Transp. Co.*, 710 F.2d 516, 524 (9th Cir. 1983) (Wallace, J., dissenting in part). If that is so, there is a vast difference between the minimal fines in *Hyde* and *Toepfer* and the sanctions in this case — $134,000, as well as a vitriolic attack on Perry, both personally and professionally. Moreover, as a direct result of the attack on his reputation, Perry lost clients, including Pac-Tec whom he had represented for twenty years. App. I - A46-48.

It is therefore imperative that this Court reaffirm that attorneys are entitled to due process of law before they can be deprived of such substantial interests in liberty and property.

## III

## THE UNCONSTITUTIONAL VAGUENESS OF RULE 38, IN THE FAILURE TO PROVIDE STANDARDS FOR "FRIVOLOUS," "JUST DAMAGES," AND "AN APPEAL," PRESENTS AN IMPORTANT QUESTION OF FEDERAL LAW THAT SHOULD BE DECIDED BY THIS COURT.

A rule that is not "sufficiently explicit" to give clear notice "on its face" that certain conduct is proscribed, is unconstitutionally vague under the Due Process Clause. *Lanzetta v. New Jersey*, 306 U.S. 451, 453, 59 S.Ct. 618, 619 (1939); *Cramp v. Board of Public Instruction*, 368 U.S. 278, 82 S.Ct. 275 (1961).

In a case involving language similar to that in Rule 38, three Justices maintained, apparently *sua sponte*, that standards like "frivolous" and "appropriate damages" lead to awards that "can only be arbitrary." *Hyde v. Van Wormer*, 474 U.S. 992, 106 S.Ct. 403, 403 (1985) (relating to this Court's Rule 49.2).

This is borne out by the state of utter disarray in the decisions of the circuit courts in applying Rule 38. "Frivolity," one court remarked, "like obscenity, is often difficult to define." *WSM, Inc. v. Tennessee Sales Co.*, 709 F.2d 1084, 1088 (6th Cir. 1983). As discussed above, even when courts appear to use the same standard of frivolousness, the application of the standard varies wildly from one circuit to another. Thus, Professor Martineau has been able to categorize "aggressive," "reluctant," and "uncertain" circuits — all purporting to apply the same brief rule. Martineau & Davidson, *Frivolous Appeals in the Federal Courts: The Ways of the Circuits*, 34 Amer. U.L. Rev. 603 (1985).

Nor have the courts been able to articulate what is meant by "just damages." This case is illustrative. Amerace requested $160,666.02. The court below awarded $134,000.18. (Why, one is tempted to ask, 18 cents?) How that amount of damages is "just" within the meaning of the rule, is, at best, a matter of conjecture.

As discussed in Part IC of this Petition, "an appeal" has a plain meaning. Nevertheless, several courts have sought that meaning in vain.

The point is not simply one of procedural nicety. A principal purpose of Rule 38 of the Federal Rules of Appellate Procedure is "to penalize an appellant who takes a frivolous appeal." *Burlington Northern Railroad Company v. Woods*, 480 U.S. 1, 7, 107 S.Ct. 967, 970 (1987). Under Rule 38, "damages are awarded . . . as a matter of justice to the appellee and as a penalty against the appellant." *Id.*, 480 U.S. at 4 107 S.Ct. at 969, quoting Advisory Committee's Notes on Fed. Rule App. Proc. 38, 28 U.S.C.App., p. 492. This penal aspect of Rule 38 makes it particularly important that such a rule be sufficiently explicit to give clear notice on its face of the conduct that is proscribed.

Moreover, as construed by the court below and by other circuit courts, the lawyer who is subjected to sanctions under these vague standards is entitled to no notice that the court is contemplating action against him nor to any hearing on whether his conduct has been "frivolous" or as to what constitutes "just damages" in his case. Compounding the problem further — as in Owen Perry's case — the attorney then has no right to appellate review of money damages that may be financially crippling or of public censure that may be unfair, personally humiliating, and professionally destructive.

Thus, lawyers are being subjected to severe penalties without standards, without notice, without hearings, and without judicial review. Even common criminals deserve, and receive, these essentials of procedural justice. Members of the bar deserve no less.

## CONCLUSION

For these reasons, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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# APPENDIX A

## UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

89-1329,-1692

PAC-TEC, INC.,
Plaintiff-Appellant,

v.

AMERACE CORPORATION,
Defendant-Appellee.

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DECIDED: May 9, 1990

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Before MARKEY, *Chief Judge*, BENNETT, *Senior Circuit Judge*, and PLAGER, *Circuit Judge*.

MARKEY, *Chief Judge*.

Pac-Tec, Inc. (Pac-Tec) appeals from a judgment of the United States District Court for the Eastern District of Michigan, No. 86CV73873DT (DeMascio, J.), that 13 claims of Amerace Corporation's (Amerace) patent 4,155,666 ('666) and 23 claims of Amerace's patent 4,195,945 ('945) were infringed and not invalid. Pac-Tec further appeals from an order denying its motion for recusal. Amerace seeks sanctions against Pac-Tec pursuant to Rule 38, Fed. R. App. P. We affirm the judgment and order and impose a sanction on Pac-Tec and its counsel.

## I. BACKGROUND

### A. The Patents and Accused Devises

Pavement markers mark road lanes and aid the direction of vehicular traffic. Those used in northern climes are subject to the impact of snowplow blades. The '666 and '945 patents are directed to "snowplowable" pavement markers. The markers have

a "signal means," i.e., a reflector, carried and protected by a "base member," i.e., a one-piece metal casting, the reflector and casting adapted to being partially disposed below road level.

Claim 1 of the '666 patent is representative:

> 1. A low-profile pavement marker for use in snow areas for establishing on a finished roadway surface a marking visible from an oncoming vehicle while protecting the marking from damage by oncoming snowplow blades during snowplowing operations, said pavement marker comprising a base member defining two laterally spaced-apart ramp members each having a lower portion and an upper portion and an inclined surface extending between a lowermost end and an uppermost end to form an inclined ramp, the lower portion of said base member adapted to be recessed below the roadway surface with the upper portion of each said ramp member extending above the roadway surface, and signal means adapted to be disposed between and below said ramp members with a lower portion of the signal means disposed below the roadway surface and an upper portion of the signal means disposed above the roadway surface, so that an oncoming snowplow blade will ride up said ramp members and be deflected thereby from contact with said signal means as the snowplow blade passes over said pavement marker, said signal means, including at least a part of said lower portion thereof, being operative to reflect light incident upon said signal means from an oncoming vehicle back toward said oncoming vehicle, said ramps being so configured and arranged to provide adequate space therebetween to allow vehicle tires to wipe the signal means, and whereby said signal means by being partially recessed in use below the level of the associated roadway surface minimizes the total height of said pavement marker above the roadway surface thereby to reduce the impact energy imparted to said pavement and to oncoming vehicles striking said marker.

Claim 1 of the '945 patent is representative:

> 1. A base member for use as a component of a low-profile pavement marker for use in snow areas for establishing on a finished roadway surface a marking visible from an oncoming vehicle while protecting the marking from damage by oncoming snowplow blades during snowplowing operations, said base member having first and second laterally spaced-apart longitudinally extending ramp members each having a lower portion and an upper portion and an inclined surface extending between a lowermost end and an uppermost end to form an inclined ramp, the lower portion of said base member defining a longitudinally extending keel portion adapted to be recessed below the roadway surface with the upper portion of each said ramp member extending above the roadway surface, and said base member further having a support member interconnecting said ramp members and providing a downwardly facing bottom surface adapted to be disposed in a complementary recess in the associated pavement and a generally upwardly facing support surface adapted to carry signal means thereon, the signal means thus adapted to be disposed between and below said ramp members with an upper portion of the signal means disposed above the roadway surface, so that an oncoming snowplow blade will ride up said ramp members and be deflected thereby from contact with said signal means as the snowplow blade passes over said pavement marker, said ramps being so configured and arranged to provide adequate space therebetween to allow vehicle tires to wipe the signal means, and whereby said bottom surface by being recessed in use below the level of the associated roadway surface enables minimization of the total height of said base member above the roadway surface thereby to reduce the impact energy imparted to said base member and the pavement and to oncoming vehicles striking said base member.

Amerace manufactures and sells pavement markers. Pac-Tec obtained its casting from Amerace's casting supplier and

began making its pavement markers. The district court described the Pac-Tec marker:

> It has longitudinally extending ramp members with an inclined surface forming a ramp which is intended to extend above the roadway surface, while the lower portion is recessed below the roadway surface in such a way as to prevent jolting of snowplow blades. The ramps are arranged to provide adequate space for tires to wipe the signal means clear, yet are of such a height as to protect such signal from snowplow blades. A support member connects the ramp members, having an upper surface designed to carry a signal means, and a lower surface designed to be recessed below the roadway.

**B. The Proceedings**

Pac-Tec filed suit on September 15, 1986, seeking a declaration of invalidity and noninfringement of Amerace's patents. Amerace counterclaimed for infringement and moved for summary judgment on that issue. On March 3, 1988, the district court granted summary judgment that Pac-Tec infringed both patents.

Pac-Tec moved for summary judgment of invalidity on three grounds: (1) obviousness-type double patenting of the '666 and '945 patents with respect to each other and with respect to Amerace's patent 3,587,416 ('416); (2) lack of novelty over the '416 patent (35 U.S.C. § 102 (a), (b)); and (3) indefiniteness (35 U.S.C. § 112). Amerace cross-moved for summary judgment on validity. The district court, on June 8, 1988, granted summary judgment to Amerace on issues (1) and (3) and denied summary judgment to both parties on issue (2).

After a trial on novelty in light of the '416 patent and United States Patent Nos. 2,260,498 (Wise) and 1,952,942 (Ross), the district court held that Pac-Tec had failed to establish lack of novelty and, on February 14, 1989, enjoined Pac-Tec from further

infringement.[1] Sanctioning Pac-Tec's counsel under Rule 11, Fed. R. Civ. P., the district court noted that Pac-Tec improperly raised in post-trial proceedings an entirely new patent marking issue, ordered that scurrilous references to Amerace's attorney be stricken from Pac-Tec's post-trial pleadings, and, pursuant to 35 U.S.C. § 285, awarded Amerace its attorney fees in light of Pac-Tec's willful infringement and dilatory litigation tactics.

On March 13, 1989, Pac-Tec moved under 28 U.S.C. §§ 144, 455(a) for recusal of Judge DeMascio, citing certain remarks from the bench. On August 21, 1989, while its recusal motion was pending, Pac-Tec filed a "Petition for Writ of Mandamus" asking this court to vacate or modify the injunction. This court, because Pac-Tec's appeal from the judgment was already pending in this court, treated the petition as a motion for stay and denied it on October 30, 1989, stating that Pac-Tec: (1) raised issues not presented to the district court, (2) misstated the record, and (3) directed an unfounded attack on the remarks of the district court on which Pac-Tec based its pending recusal motion. We sanctioned Pac-Tec for its frivolous petition and awarded Amerace its attorney fees and double costs under Rule 38, Fed. R. App. P. *In re Pac-Tec, Inc.*, Misc. No. 260 (Fed. Cir. October 30, 1989).

After Judge DeMascio denied Pac-Tec's recusal motion (but before this court had issued its October 30 order) Pac-Tec sought

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[1] The injunction reads:

> The defendant shall have injunctive relief permanently enjoining and restraining the plaintiff, its officers, agents, attorneys, servants, employees, and all those in active concert or participation with them who receive actual notice of such injunction by personal service or otherwise, from directly and indirectly making, using or selling, or causing to be made, used or sold, any pavement markers and pavement marker base members like or similar in structure to the pavement markers and pavement marker base members identified in this action as exhibits 9, 10, and 11 and any other pavement markers and pavement marker base members covered by the claims of said letters patent nos. 4,155,666 and 4,195,945, during the respective terms of said patents and from offering or advertising so to do and from aiding or abetting or in any way contributing to the infringement of any of said claims or in any way violating the rights of defendant under said patents.

from the Court of Appeals for the Sixth Circuit a writ of mandamus directing Judge DeMascio to vacate his denial. On December 8, 1989, the Sixth Circuit denied the petition as frivolous and sanctioned Pac-Tec by awarding Amerace its attorney fees and double costs under Rule 38, Fed. R. App. P. *In re Pac-Tec, Inc.*, No. 89-2225 (6th Cir. December 8, 1989).

## II. OPINION

This signifies the end, we trust, of Pac-Tec's and its counsel's singularly sanctionable sojourn among the hallowed halls of justice. Throughout this litigation, the conduct of Pac-Tec and its counsel have fouled the judicial nest. Continued on this appeal is the pestiferous pestilence that led to a Rule 11 sanction, striking portions of Pac-Tec's post-trial pleading, imposition of attorney fees for willful infringement and dilatory litigation at the trial level, and imposition of sanctions by two appellate courts.

The appeal itself is frivolous, and its frivolity is unrelieved by even one of counsel's many arguments. Beyond frivolity, however, the conduct of counsel in this litigation infects the judicial process with a disabling disease of deceit that the courts must act to expunge, for if courts remain passive, that disease will spread until it destroys a judicial process and a legal profession no longer worth preserving.

Forgetting entirely the responsibility imposed on him as an officer of the court, Pac-Tec's counsel displays a deplorable depth of disrespect for the judicial process and a lamentable lack of candor in misstating the record and in disregarding the rules of procedure and the decided cases. His approach on this appeal is to fire a shotgun loaded with nothing but spurious arguments on infringement, invalidity, evidence exclusion, injunction scope, and judicial bias, none of which rises to the level of an argument even remotely based in fact or law. Eschewing the discomfort generated by extended discussion of counsel's baseless arguments and attempts to retry his case on appeal, we describe them only so far

as necessary to explicate the bases for the foregoing characterization.[2]

**Infringement**

Having never denied infringement before the district court ruled, having presented no evidence in conflict with Amerace's, and having raised no genuine issue of material fact before the district court issued its order granting summary judgment on the infringement issue, Pac-Tec brazenly burdens Amerace and this court with four pages of meritless argument in which it points to *no* claim language that does not read on its accused markers. Further, Pac-Tec attacks Amerace's proof, falsely stating that it consisted of a single affidavit and ignoring the deposition testimony of its own officers and owners, the deposition testimony of an inventor and an attorney, and over 30 exhibits. Pac-Tec then improperly attempts to create an issue of fact out of *post-judgment* testimony which it nonsensically *doctors* and *distorts*. Finally, though all of this was pointed out in Amerace's brief and is clear in the record, Pac-Tec included a segment on infringement in a repiy brief in which it again simply ignored the record.

The challenge to the infringement finding in this appeal is frivolous.

**Invalidity**

Pac-Tec's primary attack on validity is based on the assertion that Amerace's claimed inventions are anticipated by the disclosures in three patents considered by the Patent and Trademark Office examiner. The assertion rests on Pac-Tec's improper redrafting of the claims by deleting the preamble and all limitations that include "adopted to", "whereby", and "thereby" so that the claims are reduced to mere collections of parts. Pac-Tec totally disregards the district court's careful consideration, after a full

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[2] It would unduly lengthen this opinion if we were to discuss all the statements in Pac-Tec's briefs which mischaracterize the record.

trial on the § 102 (a) and (b) issues, of the claims as wholes. In so doing, the court found that the language excised by Pac-Tec constituted structural limitations, citing as authority *In re Venezia*, 530 F.2d 956, 189 USPQ 149 (CCPA 1976). In its brief here, Amerace cited seven additional authorities for the proposition that functional language, in cases like the present, cannot be disregarded. Although Pac-Tec cited 48 cases in its main brief and 15 cases in its reply brief, it nowhere even mentions *Venezia* or any of the authorities cited by Amerace.

In the face of this court's repeated condemnation of the practice of raising issues for the first time on appeal, and after a trial limited to its defenses under § 102 (a) and (b), Pac-Tec blatantly argues a defense under § 102 (g) and asserts a conjectural claim interpretation, neither of which were presented to the district court. Pac-Tec attempts to excuse that improper conduct with the ridiculous assertion in its reply brief that the issue is "inherent in the anticipation defense." Pac-Tec's infraction of the rule is rendered even more unforgivable in light of the district court's rejection of its effort to inject a new § 102 (f) issue at trial.[3]

Pac-Tec improperly argues obviousness-type double patenting as though that issue had been tried, whereas it was raised only in Pac-Tec's motion for summary judgment. That motion was accompanied by a single affidavit, which the district court found deficient because the affiant had analyzed only portions of the claims and had made no factual assertions of the type mandated by *Graham v. John Deere Co.*, 383 U.S. 1, 17, 148 USPQ 459, 474 (1966). Pac-Tec nowhere cites the record presented to the district court on its summary judgment motion. Nowhere does

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[3] Pac-Tec's effort, post-trial, to inject another new issue, i.e., patent marking, was also rejected by the district court. Incredibly, Pac-Tec argues that untried issue in its brief before us. Though the issue was improperly raised, the district court went on to point out, and the record clearly establishes, that there was an absolute absence of evidence that Amerace intended to deceive the public or that Pac-Tec relied upon or was confused by Amerace's patent marking. Pac-Tec's assertion of the issue on this appeal is frivolous.

Pac-Tec recognize that its affiant recanted much of his affidavit or that the examiner had fully dealt with the question of double-patenting.

Pac-Tec's invalidity arguments are frivolous.

**Evidence Exclusion**

Pac-Tec argues that it was error to exclude an exhibit and a British patent disclosing it. Pac-Tec says, *falsely*, that "[t]his prior art was discovered during the trial," and that it was excluded only because of failure to include it in the 35 U.S.C. § 282 notice and pre-trial order. The truth is that Pac-Tec knew of the exhibit and of a U.S. patent on the same design, and the exclusion was clearly based on Pac-Tec's failure to exercise diligence. Pac-Tec cites cases clearly distinguishable, fails even to allege prejudice, fails even to allege that this prior art is more pertinent than that considered by the examiner and at trial, and fails to recognize the district court's observations of the differences between the exhibit and the claimed subject matter in suit. The argument is frivolous.

**Injunction Scope**

Pac-Tec argues that it should be enjoined only against direct infringement under 35 U.S.C. § 271 (a), i.e., only against making the accused device, and left free to engage in contributory infringement. The district court, however, had ample evidence before it of direct and indirect infringement. Moreover, the district court has power to grant an injunction in accordance with the principles of equity to prevent the violation of any rights secured by patent. 35 U.S.C. § 283. The grant of an injunction is reviewed on an abuse of discretion standard. *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1002, 228 USPQ 562, 567 (Fed. Cir.), *cert. denied*, 477 U.S. 905 (1986). Pac-Tec nowhere mentions that standard and makes no showing whatever of such abuse.

Pac-Tec also argues that the injunction encompasses unadjudicated claims. Again, Pac-Tec ignores the rules. Though

it filed a Motion to Amend the Judgment, it never presented this argument to the district court, yet it asks this court to find the district court in error for not considering what it never presented. Further, if it had argued the question, it could not have prevailed, for as Pac-Tec admitted in one of its petitions for mandamus, "any device that infringes a non-adjudicated claim will inherently also infringe an adjudicated claim."

The argument respecting the injunction's scope are frivolous.

**Bias**

Difficult as it may seem, Pac-Tec manages to exceed the egregiousness described above in alleging bias of the trial judge. In the annals of frivolity the allegation of bias on this appeal would win a prized place. Of all the charges that might be leveled against one sworn to "administer justice" and to "faithfully and impartially discharge and perform all the duties incumbent upon me," 28 U.S.C. § 453, a charge of bias must be deemed at or near the very top in seriousness, for bias kills the very soul of judging — fairness. Obviously no such charge should be made lightly and without a solid basis in fact and law. Sadly, Pac-Tec and its counsel have in this litigation made the charge four times, each time with no basis whatever in either fact or law, the last three times after Pac-Tec and its counsel had been clearly shown the absolute falseness of the charge and the legal impropriety of lodging it.[4]

Pac-Tec says in its brief that the district court was biased because "he made an extrajudicial contact with a casting manufacturer, had a casting sent to him." At oral argument, Pac-Tec's counsel quoted the district court as having said "I called up a casting manufacturer, had them send me a casting" and "I

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[4] Pac-Tec did file a motion to recuse, citing 28 U.S.C. §§ 144, 455, thus providing a basis for appealing the order denying the motion, as distinguished from merely asserting bias for the first time on appeal. Though Pac-Tec followed correct procedure in this one instance, its difficulty, as explained in the text, is that the motion was baseless.

contacted the casting manufacturer and had him send me a casting." As the record shows, the district court never said what Pac-Tec says it said. Pac-Tec's misquote is reprehensible.

Pac-Tec has never identified the source of the casting, and for good reason. As Pac-Tec and its counsel were reminded in the district court's denial of the recusal motion, the district court got the casting during the pre-trial stage *from Pac-Tec's counsel*. In its brief here, Amerace again reminded counsel that *he*, Pac-Tec's counsel, was the source of the casting.

In what demonstrates a shockingly shabby performance of a counsel's appellate role (wherein counsel is expected to know intimately the record), the following colloquy occurred at oral argument (emphasis added):

> The court: Are you going to say anything about whether or not *you* gave the casting to Judge DeMascio?
>
> Counsel for Pac-Tec: Sir, to Judge DeMascio, Your Honor, I . . .
>
> The court: Did *you* give him the casting?
>
> Counsel for Pac-Tec: I believe . . . Yes, I gave him a casting. I did, Your Honor. Yes. I gave him a casting. I gave him a casting, and I rely on the words. . . *I don't know the exact words* here in front of me, but Judge DeMascio said "I contacted the casting manufacturer and had him send me a casting." I don't think it makes any difference whether I gave him one. *If* he got one from the casting manufacturer I think that was improper. I believe that was improper. And I, I think it violates the recusal statute for him to have, to have, *if* he did exactly what he said in there, *if* he contacted the casting manufacturer, had him send me a cop . . ., send him the casting . . .
>
> The court: Wait a minute, wait a minute, Counsel.
>
> Counsel for Pac-Tec: Yes sir.
>
> The court: You said *if* he did that.

Counsel for Pac-Tec: He *did say* that, Your Honor.

The court: Did you give us a record reference in your brief?

Counsel for Pac-Tec: Yes sir, yes, Your Honor, it's in the brief. It's in the appendix, and I don't know if I can exactly, uh, it's in the appendix, and I gave you a record reference. Yes, Your Honor.[5]

The court: (to counsel for Amerace) You said the Judge didn't say that.

Counsel for Amerace: He did not say, "I contacted the casting manufacturer." What he, that's what he interprets the judge to have said, and that's what Judge DeMascio in his denying of the recusal motion said: "He's misinterpreting it." There was not the words "I contacted a casting manufacturer", what the judge said is "both castings were made by the same manufacturer," which they were, he had evidence of that in the case, and then what he said was essentially, "I asked for a casting." Which he did. He got one from Mr. Perry. He didn't say "I contacted the manufacturer for the casting," and that's what Judge DeMascio says in his own decision denying recusal.

The court: (to counsel for Pac-Tec) Do you think Judge DeMascio was misstating when he denied the motion for recusal? Misstating the record?

Counsel for Pac-Tec: Your Honor, uh, I think . . . Judge DeMascio said on the record, and that's in here, either "I contacted him myself" or "had my court clerk contact the casting manufacturer and send me a casting." Then when he denied the motion to recuse, he said "that isn't what I said" or "that isn't what I meant." *I don't know.* I don't think, I don't think Judge DeMascio would lie. I'm not suggesting

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[5] The words quoted by Pac-Tec's counsel appear nowhere in the 19-page "record reference" mentioned by him, and nowhere in the entire record.

> that. I'm not, uh, I think that the, the comments he made along with other criticisms of me, he made a, an attack on my credibility at that time. I think that violates the recusal statute. I'm sorry. I cannot, you know, I don't, I'm not comfortable attacking a, being put in the position, I put myself in it by raising the recusal issue. *I have an obligation to my client.*[6] And I believe, I honestly believe the recusal statute was violated. I believe Judge DeMascio improperly denied my motion to recuse.

Pac-Tec asserts, with no support, that the district court used the casting in determining infringement. Though it need not have done so, the district court carefully explained to Pac-Tec's counsel how infringement was found on all the evidence. Counsel's assertion, in light of that explanation, is frivolous.

A second basis for Pac-Tec's charge was the district court's expression of dissatisfaction with counsel's failure to appear at a hearing on a motion to quash a subpoena. The district court, in denying the motion to recuse, patiently tried to teach the law to counsel, citing *United States v. Grinnell Corp.*, 384 U.S. 563 (1966); *Price Bros. Co. v. Philadelphia Gear Corp.*, 649 F.2d 416 (6th Cir.), *cert. denied*, 454 U.S. 1099 (1981); *EEOC v. Mercy Hosp. and Medical Center*, 709 F.2d 1195 (7th Cir. 1983); *In re Cooper*, 821 F.2d 833 (1st Cir. 1987); *In re Beard*, 811 F.2d 818 (4th Cir. 1987); *In re Yagman*, 796 F.2d 1165 (9th Cir. 1986); *Davis v. Board of School Comm'rs*, 517 F.2d 1944 (5th Cir. 1975), *cert. denied*, 425 U.S. 944 (1976); *Johnson v. Trueblood*, 629 F.2d 287 (3d Cir. 1980), *cert. denied*, 450 U.S. 999 (1981), for the rule that bias cannot be shown by remarks concerning the evidence or conduct that the court observed during the proceedings, and the rule that remarks concerning counsel's conduct cannot evidence bias against a *party*. Counsel should not have had to be told all that. Research for less than an hour would have

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[6] Counsel's obligation to his client, as well as to the court, is to know the record and present it accurately. Clients have a fundamental interest in the fair and truthful administration of justice that far exceeds their monetary interest in a particular case.

revealed it. Yet, having been shown, counsel egregiously flouts the law in presenting his argument to this court that bias was shown by the court's proper expression of frustration with counsel's conduct.

Counsel's allegations of bias are an outrageous fabrication made of whole cloth. As the record unequivocally establishes, that fact was necessarily known to counsel when he filed this appeal. The assertions of bias are not only frivolous; they are brazen, blatant, and boorish.

**Sanction**

We have said the purpose of Rule 38 is not only to compensate a winner at trial for expense and delay in defending a meritless appeal but to deter frivolous appeals and thus preserve the appellate calendar for cases worthy of consideration. *Sun-Tek Indus. v. Kennedy Sky-Lites, Inc.*, 865 F.2d 1254, 1255, 9 USPQ2d 1574, 1575 (Fed. Cir. 1989). This utterly meritless appeal imposed totally unnecessary costs not only on Amerace but on the public whose taxes support this court and its staff. *See Porter v. Farmers Supply Serv.*, 790 F.2d 882, 229 USPQ 814, 817 (Fed. Cir. 1986). Accordingly, we award to Amerace its attorney fees and double costs incurred on this appeal, for the payment of which Pac-Tec's counsel, Owen E. Perry, is liable jointly and severally with Pac-Tec, which stood to benefit if counsel's deplorable tactics had succeeded. Rule 38, Fed. R. App. P.

**AFFIRMED — SANCTIONS IMPOSED**

## APPENDIX B

## UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

May 23, 1990

### ERRATA

Appeal Nos. 89-1329, -1692

*Pac-Tec, Inc. v. Amerace Corporation*

Decided May 9, 1990 Published

Please make the necessary corrections:

On page 9, lines 7 and 8, "even mentions *Venezia* or any of the authorities cited by Amerace." should be — responds to any of the authorities cited by Amerace on the point and did not list *Venezia* in the Table of Authorities accompanying its Reply Brief.—

On page 9, footnote 3, line 1, "post-trial" should be — mid-trial —.

On page 9, footnote 3, line 3, "untried" should be deleted.

On page 10, lines 15 and 16, " '[t]his prior art was discovered during the trial,' and that" should be deleted.

On page 10, lines 18 and 19, "Pac-Tec knew of the exhibit and of a U.S. patent on the same design, and" should be deleted.

## APPENDIX C

PAC-TEC, INC., Plaintiff-Appellant,
v.
AMERACE CORPORATION,
Defendant-Appellee.

Nos. 89-1329, 89-1692.

United States Court of Appeals,
Federal Circuit.

May 9, 1990.

• • • •

Before MARKEY, Chief Judge, BENNETT, Senior Circuit Judge, and PLAGER, Circuit Judge.

MARKEY, Chief Judge.

Pac-Tec, Inc. (Pac-Tec) appeals from a judgment of the United States District Court for the Eastern District of Michigan, No. 86CV73873DT (DeMascio, J.), that 13 claims of Amerace Corporation's (Amerace) patent 4,155,666 ('666) and 23 claims of Amerace's patent 4,195,945 ('945) were infringed and not invalid. Pac-Tec further appeals from an order denying its motion for recusal. Amerace seeks sanctions against Pac-Tec pursuant to Rule 38, Fed. R.App.P. We affirm the judgment and order and impose a sanction on Pac-Tec and its counsel.

### I. BACKGROUND

#### A. The Patents and Accused Devices

Pavement markers mark road lanes and aid the direction of vehicular traffic. Those used in northern climes are subject to the impact of snowplow blades. The '666 and '945 patents are directed to "snowplowable" pavement markers. The markers have a "signal means," i.e., a reflector, carried and protected by a "base member," i.e., a one-piece metal casting, the reflector and casting adapted to being partially disposed below road level.

Claim 1 of the '666 patent is representative:

1. A low-profile pavement marker for use in snow areas for establishing on a finished roadway surface a marking visible from an oncoming vehicle while protecting the marking from damage by oncoming snowplow blades during snowplowing operations, said pavement marker comprising a base member defining two laterally spaced-apart ramp members each having a lower portion and an upper portion and an inclined surface extending between a lowermost end and an uppermost end to form an inclined ramp, the lower portion of said base member adapted to be recessed below the roadway surface with the upper portion of each said ramp member extending above the roadway surface, and signal means adapted to be disposed between and below said ramp members with a lower portion of the signal means disposed below the roadway surface and an upper portion of the signal means disposed above the roadway surface, so that an oncoming snowplow blade will ride up said ramp members and be deflected thereby from contact with said signal means as the snowplow blade passes over said pavement marker, said signal means, including at least a part of said lower portion thereof, being operative to reflect light incident upon said signal means from an oncoming vehicle back toward said oncoming vehicle, said ramps being so configured and arranged to provide adequate space therebetween to allow vehicle tires to wipe the signal means, and whereby said signal means by being partially recessed in use below the level of the associated roadway surface minimizes the total height of said pavement marker above the roadway surface thereby to reduce the impact energy imparted to said pavement and to oncoming vehicles striking said marker.

Claim 1 of the '945 patent is representative:

1. A base member for use as a component of a low-profile pavement marker for use in snow areas for establishing on a finished roadway surface a marking visible from an oncoming vehicle while protecting the marking from damage

> by oncoming snowplow blades during snowplowing operations, said base member having first and second laterally spaced-apart longitudinally extending ramp members each having a lower portion and an upper portion and an inclined surface extending between a lowermost end and an uppermost end to form an inclined ramp, the lower portion of said base member defining a longitudinally extending keel portion adapted to be recessed below the roadway surface with the upper portion of each said ramp member extending above the roadway surface, and said base member further having a support member interconnecting said ramp members and providing a downwardly facing bottom surface adapted to be disposed in a complementary recess in the associated pavement and a generally upwardly facing support surface adapted to carry signal means thereon, the signal means thus adapted to be disposed between and below said ramp members with an upper portion of the signal means disposed above the roadway surface, so that an oncoming snowplow blade will ride up said ramp members and be deflected thereby from contact with said signal means as the snowplow blade passes over said pavement marker, said ramps being so configured and arranged to provide adequate space therebetween to allow vehicle tires to wipe the signal means, and whereby said bottom surface by being recessed in use below the level of the associated roadway surface enables minimization of the total height of said base member above the roadway surface thereby to reduce the impact energy imparted to said base member and the pavement and to oncoming vehicles striking said base member.

Amerace manufactures and sells pavement markers. Pac-Tec obtained its casting from Amerace's casting supplier and began making its pavement markers. The district court described the Pac-Tec marker:

> It has longitudinally extending ramp members with an inclined surface forming a ramp which is intended to extend above the roadway surface, while the lower portion is re-

cessed below the roadway surface in such a way as to prevent jolting of snowplow blades. The ramps are arranged to provide adequate space for tires to wipe the signal means clear, yet are of such a height as to protect such signal from snowplow blades. A support member connects the ramp members, having an upper surface designed to carry a signal means, and a lower surface designed to be recessed below the roadway.

**B. The Proceedings**

Pac-Tec filed suit on September 15, 1986, seeking a declaration of invalidity and noninfringement of Amerace's patents. Amerace counterclaimed for infringement and moved for summary judgment on that issue. On March 3, 1988, the district court granted summary judgment that Pac-Tec infringed both patents.

Pac-Tec moved for summary judgment of invalidity on three grounds: (1) obviousness-type double patenting of the '666 and '945 patents with respect to each other and with respect to Amerace's patent 3,587,416 ('416); (2) lack of novelty over the '416 patent (35 U.S.C. § 102 (a), (b)); and (3) indefiniteness (35 U.S.C. § 112). Amerace cross-moved for summary judgment on validity. The district court, on June 8, 1988, granted summary judgment to Amerace on issues (1) and (3) and denied summary judgment to both parties on issue (2).

After a trial on novelty in light of the '416 patent and United States Patent Nos. 2,260,498 (Wise) and 1,952,942 (Ross), the district court held that Pac-Tec had failed to establish lack of novelty and, on February 14, 1989, enjoined Pac-Tec from further infringement.[1] Sanctioning Pac-Tec's counsel under Rule 11,

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[1] The injunction reads:

The defendant shall have injunctive relief permanently enjoining and restraining the plaintiff, its officers, agents, attorneys, servants, employees, and all those in active concert or participation with them who receive actual notice of such injunction by personal service or otherwise, from directly and indirectly making, using or selling, or causing to be made, used or sold, any pavement markers and pavement marker base members like or similar in

Fed. R. Civ. P., the district court noted that Pac-Tec improperly raised in post-trial proceedings an entirely new patent marking issue, ordered that scurrilous references to Amerace's attorney be stricken from Pac-Tec's post-trial pleadings, and, pursuant to 35 U.S.C. § 285, awarded Amerace its attorney fees in light of Pac-Tec's willful infringement and dilatory litigation tactics.

On March 13, 1989, Pac-Tec moved under 28 U.S.C. §§ 144, 455(a) for recusal of Judge DeMascio, citing certain remarks from the bench. On August 21, 1989, while its recusal motion was pending, Pac-Tec filed a "Petition for Writ of Mandamus" asking this court to vacate or modify the injunction. This court, because Pac-Tec's appeal from the judgment was already pending in this court, treated the petition as a motion for stay and denied it on October 30, 1989, stating that Pac-Tec: (1) raised issues not presented to the district court, (2) misstated the record, and (3) directed an unfounded attack on the remarks of the district court on which Pac-Tec based its pending recusal motion. We sanctioned Pac-Tec for its frivolous petition and awarded Amerace its attorney fees and double costs under Rule 38, Fed. R. App. P. *In re Pac-Tec, Inc.*, Misc. No. 260 (Fed. Cir. October 30, 1989).

After Judge DeMascio denied Pac-Tec's recusal motion (but before this court had issued its October 30 order) Pac-Tec sought from the Court of Appeals for the Sixth Circuit a writ of mandamus directing Judge DeMascio to vacate his denial. On December 8, 1989, the Sixth Circuit denied the petition as frivolous and sanctioned Pac-Tec by awarding Amerace its attorney fees and double costs under Rule 38, Fed. R. App. P. *In re Pac-Tec, Inc.*, No. 89-2225 (6th Cir. December 8, 1989).

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structure to the pavement markers and pavement marker base members identified in this action as exhibits 9, 10, and 11 and any other pavement markers and pavement marker base members covered by the claims of said letters patent nos. 4,155,666 and 4,195,945, during the respective terms of said patents and from offering or advertising so to do and from aiding or abetting or in any way contributing to the infringement of any of said claims or in any way violating the rights of defendant under said patents.

## II. OPINION

This signifies the end, we trust, of Pac-Tec's and its counsel's singularly sanctionable sojourn among the hallowed halls of justice. Throughout this litigation, the conduct of Pac-Tec and its counsel have fouled the judicial nest. Continued on this appeal is the pestiferous pestilence that led to a Rule 11 sanction, striking portions of Pac-Tec's post-trial pleading, imposition of attorney fees for willful infringement and dilatory litigation at the trial level, and imposition of sanctions by two appellate courts.

The appeal itself is frivolous, and its frivolity is unrelieved by even one of counsel's many arguments. Beyond frivolity, however, the conduct of counsel in this litigation infects the judicial process with a disabling disease of deceit that the courts must act to expunge, for if courts remain passive, that disease will spread until it destroys a judicial process and a legal profession no longer worth preserving.

Forgetting entirely the responsibility imposed on him as an officer of the court, Pac-Tec's counsel displays a deplorable depth of disrespect for the judicial process and a lamentable lack of candor in misstating the record and in disregarding the rules of procedure and the decided cases. His approach on this appeal is to fire a shotgun loaded with nothing but spurious arguments on infringement, invalidity, evidence exclusion, injunction scope, and judicial bias, none of which rises to the level of an argument even remotely based in fact or law. Eschewing the discomfort generated by extended discussion of counsel's baseless arguments and attempts to retry his case on appeal, we describe them only so far as necessary to explicate the bases for the foregoing characterization.[2]

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[2] It would unduly lengthen this opinion if we were to discuss all the statements in Pac-Tec's briefs which mischaracterize the record.

## Infringement

**[1, 2]** Having never denied infringement before the district court ruled, having presented no evidence in conflict with Amerace's, and having raised no genuine issue of material fact before the district court issued its order granting summary judgment on the infringement issue, Pac-Tec brazenly burdens Amerace and this court with four pages of meritless argument in which it points to *no* claim language that does not read on its accused markers. Further, Pac-Tec attacks Amerace's proof, falsely stating that it consisted of a single affidavit and ignoring the deposition testimony of its own officers and owners, the deposition testimony of an inventor and an attorney, and over 30 exhibits. Pac-Tec then improperly attempts to create an issue of fact out of *post-judgment* testimony which it nonsensically *doctors* and *distorts*. Finally, though all of this was pointed out in Amerace's brief and is clear in the record, Pac-Tec included a segment on infringement in a reply brief in which it again simply ignored the record.

The challenge to the infringement finding in this appeal is frivolous.

## Invalidity

**[3, 4]** Pac-Tec's primary attack on validity is based on the assertion that Amerace's claimed inventions are anticipated by the disclosures in three patents considered by the Patent and Trademark Office examiner. The assertion rests on Pac-Tec's improper redrafting of the claims by deleting the preamble and all limitations that include "adopted to", "whereby", and "thereby" so that the claims are reduced to mere collections of parts. Pac-Tec totally disregards the district court's careful consideration, after a full trial on the § 102 (a) and (b) issues, of the claims as wholes. In so doing, the court found that the language excised by Pac-Tec constituted structural limitations, citing as authority *In re Venezia*, 530 F.2d 956, 189 USPQ 149 (CCPA 1976). In its brief here, Amerace cited seven additional authorities for the proposition that functional language, in cases like the present,

cannot be disregarded. Although Pac-Tec cited 48 cases in its main brief and 15 cases in its reply brief, it nowhere responds to any of the authorities cited by Amerace on the point and did not list *Venezia* in the Table of Authorities accompanying its Reply Brief.

**[5]** In the face of this court's repeated condemnation of the practice of raising issues for the first time on appeal, and after a trial limited to its defenses under § 102 (a) and (b), Pac-Tec blatantly argues a defense under § 102 (g) and asserts a conjectural claim interpretation, neither of which were presented to the district court. Pac-Tec attempts to excuse that improper conduct with the ridiculous assertion in its reply brief that the issue is "inherent in the anticipation defense." Pac-Tec's infraction of the rule is rendered even more unforgivable in light of the district court's rejection of its effort to inject a new § 102 (f) issue at trial.[3]

**[6]** Pac-Tec improperly argues obviousness-type double patenting as though that issue had been tried, whereas it was raised only in Pac-Tec's motion for summary judgment. That motion was accompanied by a single affidavit, which the district court found deficient because the affiant had analyzed only portions of the claims and had made no factual assertions of the type mandated by *Graham v. John Deere Co.*, 383 U.S. 1, 17, 148 USPQ 459, 474 (1966). Pac-Tec nowhere cites the record presented to the district court on its summary judgment motion. Nowhere does Pac-Tec recognize that its affiant recanted much of his affidavit or that the examiner had fully dealt with the question of double-patenting.

Pac-Tec's invalidity arguments are frivolous.

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[3] Pac-Tec's effort, mid-trial, to inject another new issue, i.e., patent marking, was also rejected by the district court. Incredibly, Pac-Tec argues that issue in its brief before us. Though the issue was improperly raised, the district court went on to point out, and the record clearly establishes, that there was an absolute absence of evidence that Amerace intended to deceive the public or that Pac-Tec relied upon or was confused by Amerace's patent marking. Pac-Tec's assertion of the issue on this appeal is frivolous.

**Evidence Exclusion**

**[7]** Pac-Tec argues that it was error to exclude an exhibit and a British patent disclosing it. Pac-Tec says, *falsely*, that it was excluded only because of failure to include it in the 35 U.S.C. § 282 notice and pre-trial order. The truth is that the exclusion was clearly based on Pac-Tec's failure to exercise diligence. Pac-Tec cites cases clearly distinguishable, fails even to allege prejudice, fails even to allege that this prior art is more pertinent than that considered by the examiner and at trial, and fails to recognize the district court's observations of the differences between the exhibit and the claimed subject matter in suit. The argument is frivolous.

**Injunction Scope**

**[8-10]** Pac-Tec argues that it should be enjoined only against direct infringement under 35 U.S.C. § 271 (a), i.e., only against making the accused device, and left free to engage in contributory infringement. The district court, however, had ample evidence before it of direct and indirect infringement. Moreover, the district court has power to grant an injunction in accordance with the principles of equity to prevent the violation of any rights secured by patent. 35 U.S.C. § 283. The grant of an injunction is reviewed on an abuse of discretion standard. *Windsurfing Int'l. Inc. v. AMF, Inc.*, 782 F.2d 995, 1002, 228 USPQ 562, 567 (Fed. Cir.), *cert. denied*, 477 U.S. 905, 106 S.Ct. 3275, 91 L.Ed.2d 565 (1986). Pac-Tec nowhere mentions that standard and makes no showing whatever of such abuse.

**[11]** Pac-Tec also argues that the injunction encompasses unadjudicated claims. Again, Pac-Tec ignores the rules. Though it filed a Motion to Amend the Judgment, it never presented this argument to the district court, yet it asks this court to find the district court in error for not considering what it never presented. Further, if it had argued the question, it could not have prevailed, for as Pac-Tec admitted in one of its petitions for mandamus, "any device that infringes a non-adjudicated claim will inherently also infringe an adjudicated claim."

The argument respecting the injunction's scope are frivolous.

**Bias**

Difficult as it may seem, Pac-Tec manages to exceed the egregiousness described above in alleging bias of the trial judge. In the annals of frivolity the allegation of bias on this appeal would win a prized place. Of all the charges that might be leveled against one sworn to "administer justice" and to "faithfully and impartially discharge and perform all the duties incumbent upon me," 28 U.S.C. § 453, a charge of bias must be deemed at or near the very top in seriousness, for bias kills the very soul of judging — fairness. Obviously no such charge should be made lightly and without a solid basis in fact and law. Sadly, Pac-Tec and its counsel have in this litigation made the charge four times, each time with no basis whatever in either fact or law, the last three times after Pac-Tec and its counsel had been clearly shown the absolute falseness of the charge and the legal impropriety of lodging it.[4]

**[12]** Pac-Tec says in its brief that the district court was biased because "he made an extrajudicial contact with a casting manufacturer, had a casting sent to him." At oral argument, Pac-Tec's counsel quoted the district court as having said "I called up a casting manufacturer, had them send me a casting" and "I contacted the casting manufacturer and had him send me a casting." As the record shows, the district court never said what Pac-Tec says it said. Pac-Tec's misquote is reprehensible.

Pac-Tec has never identified the source of the casting, and for good reason. As Pac-Tec and its counsel were reminded in the district court's denial of the recusal motion, the district court got the casting during the pre-trial stage *from Pac-Tec's counsel*. In

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[4] Pac-Tec did file a motion to recuse, citing 28 U.S.C. §§ 144, 455, thus providing a basis for appealing the order denying the motion, as distinguished from merely asserting bias for the first time on appeal. Though Pac-Tec followed correct procedure in this one instance, its difficulty, as explained in the text, is that the motion was baseless.

its brief here, Amerace again reminded counsel that *he*, Pac-Tec's counsel, was the source of the casting.

In what demonstrates a shockingly shabby performance of a counsel's appellate role (wherein counsel is expected to know intimately the record), the following colloquy occurred at oral argument (emphasis added):

> The court: Are you going to say anything about whether or not *you* gave the casting to Judge DeMascio?
>
> Counsel for Pac-Tec: Sir, to Judge DeMascio, Your Honor, I . . .
>
> The court: Did *you* give him the casting?
>
> Counsel for Pac-Tec: I believe I . . . Yes, I gave him a casting. I did, Your Honor. Yes. I gave him a casting. I gave him a casting, and I rely on the words. . . *I don't know the exact words* here in front of me, but Judge DeMascio said "I contacted the casting manufacturer and had him send me a casting." I don't think it makes any difference whether I gave him one. *If* he got one from the casting manufacturer I think that was improper. I believe that was improper. And I, I think it violates the recusal statute for him to have, to have, *if* he did exactly what he said in there, *if* he contacted the casting manufacturer, had him send me a cop . . ., send him the casting . . .
>
> The court: Wait a minute, wait a minute, Counsel.
>
> Counsel for Pac-Tec: Yes sir.
>
> The court: You said *if* he did that.
>
> Counsel for Pac-Tec: He *did say* that, Your Honor.
>
> The court: Did you give us a record reference in your brief?
>
> Counsel for Pac-Tec: Yes sir, yes, Your Honor, it's in the brief. It's in the appendix, and I don't know if I can

exactly, uh, it's in the appendix, and I gave you a record reference. Yes, Your Honor.[5]

The court: (to counsel for Amerace) You said the Judge didn't say that.

Counsel for Amerace: He did not say, "I contacted the casting manufacturer." What he, that's what he interprets the judge to have said, and that's what Judge DeMascio in his denying of the recusal motion said: "He's misinterpreting it." There was not the words "I contacted a casting manufacturer", what the judge said is "both castings were made by the same manufacturer," which they were, he had evidence of that in the case, and then what he said was essentially, "I asked for a casting." Which he did. He got one from Mr. Perry. He didn't say "I contacted the manufacturer for the casting," and that's what Judge DeMascio says in his own decision denying recusal.

The court: (to counsel for Pac-Tec) Do you think Judge DeMascio was misstating when he denied the motion for recusal? Misstating the record?

Counsel for Pac-Tec: Your Honor, uh, I think . . . Judge DeMascio said on the record, and that's in here, either "I contacted him myself" or "had my court clerk contact the casting manufacturer and send me a casting." Then when he denied the motion to recuse, he said "that isn't what I said" or "that isn't what I meant." *I don't know*. I don't think, I don't think Judge DeMascio would lie. I'm not suggesting that. I'm not, uh, I think that the, the comments he made along with other criticisms of me, he made a, an attack on my credibility at that time. I think that violates the recusal statute. I'm sorry. I cannot, you know, I don't, I'm not comfortable attacking a, being put in the position, I put myself in it by raising the recusal issue. *I have an obligation*

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[5] The words quoted by Pac-Tec's counsel appear nowhere in the 19-page "record reference" mentioned by him, and nowhere in the entire record.

*to my client.*[6] And I believe, I honestly believe the recusal statute was violated. I believe Judge DeMascio improperly denied my motion to recuse.

Pac-Tec asserts, with no support, that the district court used the casting in determining infringement. Though it need not have done so, the district court carefully explained to Pac-Tec's counsel how infringement was found on all the evidence. Counsel's assertion, in light of that explanation, is frivolous.

**[13, 14]** A second basis for Pac-Tec's charge was the district court's expression of dissatisfaction with counsel's failure to appear at a hearing on a motion to quash a subpoena. The district court, in denying the motion to recuse, patiently tried to teach the law to counsel, citing *United States v. Grinnell Corp.*, 384 U.S. 563, 86 S.Ct. 1698, 16 L.Ed.2d 778 (1966); *Price Bros. Co. v. Philadelphia Gear Corp.*, 649 F.2d 416 (6th Cir.), *cert. denied*, 454 U.S. 1099, 102 S.Ct. 674, 70 L.Ed.2d 641 (1981); *EEOC v. Mercy Hosp. and Medical Center*, 709 F.2d 1195 (7th Cir. 1983); *In re Cooper*, 821 F.2d 833 (1st Cir. 1987); *In re Beard*, 811 F.2d 818 (4th Cir. 1987); *In re Yagman*, 796 F.2d 1165 (9th Cir. 1986); *Davis v. Board of School Comm'rs*, 517 F.2d 1044 (5th Cir. 1975), *cert. denied*, 425 U.S. 944, 96 S.Ct. 1685, 48 L.Ed.2d 188 (1976); *Johnson v. Trueblood*, 629 F.2d 287 (3d Cir. 1980), *cert. denied*, 450 U.S. 999, 101 S.Ct. 1074, 68 L.Ed.2d 200 (1981), for the rule that bias cannot be shown by remarks concerning the evidence or conduct that the court observed during the proceedings, and the rule that remarks concerning counsel's conduct cannot evidence bias against a *party*. Counsel should not have had to be told all that. Research for less than an hour would have revealed it. Yet, having been shown, counsel egregiously flouts the law in presenting his argument to this court that bias was shown by the court's proper expression of frustration with counsel's conduct.

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[6] Counsel's obligation to his client, as well as to the court, is to know the record and present it accurately. Clients have a fundamental interest in the fair and truthful administration of justice that far exceeds their monetary interest in a particular case.

Counsel's allegations of bias are an outrageous fabrication made of whole cloth. As the record unequivocally establishes, that fact was necessarily known to counsel when he filed this appeal. The assertions of bias are not only frivolous; they are brazen, blatant, and boorish.

**Sanction**

**[15]** We have said the purpose of Rule 38 is not only to compensate a winner at trial for expense and delay in defending a meritless appeal but to deter frivolous appeals and thus preserve the appellate calendar for cases worthy of consideration. *Sun-Tek Indus. v. Kennedy Sky-Lites, Inc.*, 865 F.2d 1254, 1255, 9 USPQ2d 1574, 1575 (Fed. Cir. 1989). This utterly meritless appeal imposed totally unnecessary costs not only on Amerace but on the public whose taxes support this court and its staff. *See Porter v. Farmers Supply Serv.*, 790 F.2d 882, 229 USPQ 814, 817 (Fed. Cir. 1986). Accordingly, we award to Amerace its attorney fees and double costs incurred on this appeal, for the payment of which Pac-Tec's counsel, Owen E. Perry, is liable jointly and severally with Pac-Tec, which stood to benefit if counsel's deplorable tactics had succeeded. Rule 38, Fed. R. App. P.

**AFFIRMED — SANCTIONS IMPOSED.**

## APPENDIX D

## UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Miscellaneous No. 289

IN RE OWEN E. PERRY

Before MARKEY, *Circuit Judge*, BENNETT, *Senior Circuit Judge*, and PLAGER, *Circuit Judge*.

MARKEY, *Circuit Judge*.

### ORDER

In connection with *PAC-TEC, Inc. v. Amerace Corporation*, Appeal Nos. 89-1329, -1692 (the appeal), Owen E. Perry (Perry) earlier filed post-judgment motions to seal this court's opinion of May 9, 1990, to enter an appearance on behalf of himself and his law firm, to stay all appellate proceedings, and to withdraw as counsel for Pac-Tec. Only the last was granted.

Having engaged counsel, Perry has now, six weeks after the opinion complained of and a month after denial of earlier motions seeking similar relief, filed a MOTION TO INTERVENE AND FOR OTHER RELIEF accompanied by a 29-page brief, five exhibits, and declarations of Perry and two others. In his motion, Perry states in these words the relief sought:

> Owen E. Perry moves for an order:
>
> 1. Granting him leave to intervene in this Appeal;
>
> 2. Vacating the May 9, 1990 Opinion in its entirety, or in the alternative, vacating those portions of the May 9, 1990 opinion that contain findings that the appeal and the issues raised in the appeal are frivolous; which impose sanctions upon him for violation of Rule 38, F. R. App. P.; and that contain unusually harsh, condemnatory language directed at Perry personally or that otherwise constitute the imposition of discipline imposable solely under Rule 46(c), F. R. App.P.

3. Providing him notice and hearing before imposing any sanctions, in the event the Court decides to consider the imposition of sanctions against him;

4. Granting him a hearing on the following issues, in the event the Court declines to vacate as requested in paragraph 2 above:

(a) Whether he was afforded due process of law in connection with the issuance and publication of the May 9, 1990 opinion;

(b) Whether the May 9, 1990 opinion violates Rules 38 and 46(c), F. R. App. P.;

(c) Whether the appeal, and issues he argued and briefed, were frivolous under Rule 38, F. R. App. P.;

(d) Whether the sanctions imposed upon him in the May 9, 1990 opinion were "just" under Rule 38, F. R. App. P.;

(e) Whether the Application of Amerace for Attorneys Fees and Costs filed May 21, 1990 should be granted.

**1. Intervention**

Perry is granted leave to intervene to the extent of obtaining the court's thorough consideration of his present motion and accompanying papers. His request to intervene as a party in the appeal is denied as unwarranted: (1) Nothing remains of the appeal but consideration of Amerace's application for costs and fees, (2) Perry has no interest in the subject matter or merits of the litigation, (3) it would be "unfair and inequitable to postpone any longer the long overdue relief" to which Amerace is entitled. *Stotts v. Memphis Fire Dept.*, 679 F.2d 579, 584 (6th Cir.), *cert. denied, 459 U.S. 969 (1982)* and (4) Perry's interest in reducing the amount of costs and fees is represented in the opposition filed by Pac-Tec, and, as set out below, Perry will be allowed to

supplement that opposition upon a showing that Pac-Tec's opposition is inadequate.

**2. "Vacating" the Opinion in Whole or in Part**[1]

The court declines to modify or disturb in any manner its May 9, 1990 opinion or any portion thereof. Perry's attack on the alliterative writing style of the judge who wrote for the panel is inappropriate and unavailing. The finding that the appeal was frivolous was correct and, after review of all of Perry's present assertions, that finding is fully adhered to. As specifically stated in the opinion, each of Perry's arguments was individually found frivolous. No reason has been shown to vacate the portion of the opinion that orders imposition of a sanction for filing a frivolous appeal the frivolity of which is palpable. No portion contains language aimed at Perry personally, notwithstanding Perry's repeated attempts to escape the consequences of his improper conduct by so interpreting the court's condemnation of that conduct. Perry alleges certain post-judgment events and attributes them to the language of the opinion in the apparent but erroneous belief that no court opinion should mention acts abusive of the judicial process in the case before it, or characterize the effects of those acts as deleterious to the administration of justice. No imposition of discipline under Rule 46 (c) Fed. R. App. P., whether or not warranted, occurred in this case.

**3. Notice and Hearing Before Imposing Sanctions**

This part of Perry's motion is difficult to understand. The court has already sanctioned Perry's conduct in the appeal. As set out below, the court has not at this time decided to impose a sanction upon Perry's post-judgment conduct. This part of the motion can only be denied as moot.

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[1] Judgments, orders, and mandates may be "vacated." Opinions may be revised, modified, withdrawn and replaced. In the present case an order imposing sanction was included in the opinion.

**4. Hearing**

Perry's request for a hearing is granted to the extent of the court's consideration of his present submissions. His request for an oral evidentiary hearing is denied.

Perry requests an oral evidentiary hearing to develop "relevant facts", but all of the facts relevant to the sanctioning of Perry's conduct were before the court when the sanction was imposed. As spelled out in the court's opinion, all of Perry's relevant conduct appears in the record, in Perry's briefs, and in Perry's oral argument. An oral hearing would thus not develop or illuminate new relevant factual issues and would not aid this court. *Hill v. Norfolk & W. Ry.*, 814 F.2d 1192, 1201 (7th Cir. 1987). On the contrary, it would impose on Amerace and this court an extra and undue burden entirely destructive of the purpose of Rule 38. *Toepfer v. Dept. of Transportation*, 792 F.2d 1102, 1103 (Fed. Cir. 1986).

Perry says an oral hearing is necessary so that he may present evidence of his good faith and the nonfrivolous nature of one argument. No such "evidence", however, would be probative or affect the result.

Perry's good faith, if proven, would be irrelevant. "Bad faith" is not a requirement for imposition of Rule 38 sanctions. *Braley v. Campbell*, 832 F.2d 1504, 1512 (10th Cir. 1987). The standard under Rule 38 is an objective one and has nothing to do with the mental state of the person sanctioned. *Hill v. Norfolk & W.*, 814 F.2d at 1202. The "empty head and pure heart" defense will not excuse objectively unreasonable conduct. *McCandless v. Great Atlantic and Pacific Tea Co.*, 697 F. 2d 198, 200 (7th Cir. 1983). Counsel's good faith beliefs that are unreasonable in light of clear law and dispositive authority will not immunize him from Rule 38 sanctions. *Coghlan v. Starkey*, 852 F.2d 806, 813 (5th Cir. 1988). Nor does an honest belief in the merits of a claim excuse an appellate brief that "ignores significant issues and facts while deploying a smokescreen of irrelevant and tangential issues." *Id.* Nor would Perry's prior reputation have any bearing on the quality of his sanctionable conduct in this case.

Similarly, one non-frivolous argument, if there were one,[2] would not preclude the Rule 38 sanction imposed in this case. "It would be strange if by the happenstance of including one colorable (though losing) claim amidst an ocean of frivolous ones, a litigant could ward off all sanctions." *Hill v. Norfolk & W.Ry. Co.*, 814 F.2d at 1200. When an appeal is a "complete loser," most of which is "patently groundless," sanctions should be imposed under Rule 38. *Id.* Perry has shown no basis for disregarding in this case the general rule that it is not worthwhile "to divide a suitor's claims (or defenses) into frivolous and non-frivolous, and award attorney's fees in respect to the frivolous claims but not the others." *Miller Brewing Co. v. Brewery Workers Local Union No. 9*, 739 F.2d 1159, 1168 (7th Cir. 1984), *cert. denied*, 469 U.S. 1160 (1985).

Perry further requests an evidentiary hearing on a series of what he describes as "issues":

(a) *Due Process.* The requirements of due process are Notice and Opportunity to be Heard. *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 767 (1980). Perry received both.

*Notice.* Practitioners in this court are expected to know and follow the Federal Rules of Appellate Procedure and the prece-

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[2] Perry submits an expert's declaration that there was one non-frivolous issue, but the declaration states that the declarant did "not have an opportunity to review the record on appeal", this court found Perry's argument on the issue frivolous, and, even where there are genuinely appealable issues, counsel's behavior in presenting them may be frivolous. *Devices for Medicine, Inc. v. Boehl*, 822 F.2d, 1062, 1068-69, 3 USPQ2d 1288, 1294 (Fed. Cir. 1987) (spurious, specious arguments; distortion and disregard of the record and opposing authorities); *Olympia Co. v. Celotex Corp.*, 771 F.2d 888, 893 (5th Cir. 1985) (ignoring elements necessary to reverse); *Limerick v. Greenwald*, 749 F.2d 97, 101 (1st Cir. 1984) (irrelevant arguments and authority); *Spiegel v. Continental Illinois Nat'l Bank*, 790 F.2d 638, 650 (7th Cir.) (no clear arguments for reversal), *cert. denied*, 479 U.S. 987 (1986); *McConnell v. Critchlow*, 661 F.2d 116, 118 (9th Cir. 1981) (failing to exclude non-involved opponents); *Optyl Eyewear Fashion Int'l Corp. v. Style Cos.*, 760 F.2d 1045, 1052 (9th Cir. 1985) (rearguing frivolous positions for which sanctions had been imposed); *Beam v. IPCO Corp.*, 838 F.2d 242, 249 (7th Cir. 1988) (misrepresenting facts or law to the court).

dents in the court's published jurisprudence. Rule 38 provides for sanctioning frivolous appeals. From an early date, this court has indicated that it will not hesitate to apply sanctions against parties and their counsel in appropriate cases, *Asberry v. United States Postal Service*, 692 F.2d 1378, 1382 (Fed. Cir. 1982), and has in fact imposed such sanctions. *Porter v. Farmers Supply Service, Inc.*, 790 F.2d 882, 887, 229 USPQ 814, 818 (Fed. Cir. 1986); *Chemical Engineering Corp. v. Marlo, Inc.*, 754 F.2d 331, 335, 222 USPQ 738, 741 (Fed. Cir. 1984); *Julien v. Zerinque*, 864 F.2d 1572, 1575, 9 USPQ2d 1554, 1557 (Fed. Cir. 1989); *Toepfer v. Dept. of Transportation*, 792 F.2d 1102 (Fed. Cir. 1986); *Sun-Tek Industries v. Kennedy Sky-Lites, Inc.*, 865 F.2d 1254, 9 USPQ2d 1574 (Fed. Cir. 1989); *Dreamlite Holdings Ltd. v. Kraser*, 890 F.2d 1147, 13 USPQ2d 1076 (Fed. Cir. 1989), *cert. denied*, __ U.S. __, 110 S.Ct. 1924 (1990). All members of the bar of this court, including Perry, have thus long been on notice that they may be personally liable for sanctions if they prosecute a frivolous appeal.

Further, Amerace expressly stated in its brief that it was seeking attorney's fees pursuant to Rule 38 and 28 USC §1927, which specifically relates to counsel's personal liability for excess costs. Such a request in a brief satisfies the notice requirements of due process. *Braley v. Campbell*, 832 F.2d 1504, 1515 (10th Cir. 1987); *Mays v. Chicago Sun-Times*, 865 F.2d 134, 139, n.3 (7th Cir. 1989).

Lastly, Perry can hardly assert surprise that his repetition of conduct sanctioned by two appellate courts was sanctioned by this court.

*Opportunity to be Heard.* This court provides those charged by an adversary with frivolity an opportunity to be heard and expects those on notice to avail themselves of that opportunity. An adversarial, evidentiary hearing is not required. *Braley v. Campbell*, 832 F.2d at 1515. The court's published Practice Note to Rule 38 states "a party whose case has been challenged as frivolous is expected to respond to the challenge in the reply brief or to voluntarily request dismissal of the case." Though the court

supplied that Practice Note to Perry, he did not respond to Amerace's challenge and did not request dismissal. On the contrary, he exhibited complete indifference.

At oral argument, Perry was given a second opportunity to be heard. During Perry's presentation the court specifically asked why none of Amerace's assertions of frivolity were addressed in Pac-Tec's reply brief and gave Perry an opportunity to withdraw his challenged statements. Perry declined to withdraw anything and went on to exacerbate his frivolity by again mischaracterizing the record with respect to his continued allegation that the trial judge was biased.

Having been clearly on notice, and having twice been given and twice declined an opportunity to be heard, Perry cannot now be heard to complain of lack of due process. *Fromson v. Citiplate, Inc.*, 886 F.2d 1300, 1305, 12 USPQ2d 1299, 1303-04 (Fed. Cir. 1989).

(b) *Rules 38 and 46(c).* Rule 38, far from being "violated", was fully complied with. Rule 46(c) was nowhere involved. Contrary to Perry's creative interpretation of two recent Supreme Court opinions, the "hearing" requirements of Rule 46(c) have not been incorporated into Rule 38. Neither cited opinion even mentions Rule 46. This court has specifically held that Rule 46(c) has no applicability to the imposition of damages and costs under Rule 38. *Toepfer v. Dept. of Transportation*, 792 F.2d 1102 (Fed. Cir. 1986). Neither Supreme Court opinion cited by Perry addresses that holding and neither has changed the law.

(c) *Frivolous Appeal.* The appeal as found to be frivolous on May 9, 1990, and that finding has been adhered to here.

(d) *"Just" Sanctions.* This court's order requiring reimbursement of Amerace for the expense to which it was unnecessarily put is not "unjust". Indeed, failure to compensate the injured and innocent appellee would be unjust to it in this case. Perry's effort to paint the sanction imposed under Rule 38 as "penal" is absurd. Rule 38 is procedural and does not affect substantive

rights. *Burlington Northern R.R. Co. v. Woods*, 480 U.S. 1, 8 (1987).

(e) *Application for Fees and Costs.* Within 14 days of the date of this order, Perry may file a supplemental opposition to Amerace's application for attorney fees and costs. In view of delay experienced to date, no extensions can or will be given for any such filing. Any such supplemental opposition shall be limited to specific objections to amounts in Amerace's application and shall include a showing of why Perry deems Pac-Tec's opposition inadequate. Perry shall not in any such supplemental opposition discuss the merits of the case or the appropriateness of the sanction imposed under Rule 38. Nor shall any such supplemental opposition include a repetition of any objection made by Pac-Tec in its opposition.[3]

**5. Request for Attorney Fees.**

Amerace has requested its attorney fees for time expended in responding to this motion, citing Rule 38 and 28 U.S.C. § 1927. Amerace cites Perry's unprecedented request for leave to intervene on appeal after an opinion has been rendered; his submission of unsupported and hearsay statements; his readings of the Federal Rules of Appellate Procedure at odds with the established law of this circuit; his strained interpretation of inapt court opinions; and his convoluted arguments.

Amerace responded to the present motion at the court's request and its response has been of service to the court. Its characterization of Perry's submissions is not incorrect, but when Perry filed his motion there was no rule requiring a response. Thus, it cannot be said that Perry forced Amerace to undergo the expense of a response. For that reason, the court declines to impose a sanction under Rule 38 or 28 U.S.C. § 1927.

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[3] Upon request, the Clerk of this court will supply Perry with copies of Amerace's application and Pac-Tec's opposition.

**6. Future Filings**

This matter must end. Perry shall file no further motions, petitions, or other papers in this court directed to the merits of the appeal or to the imposition of sanctions in the May 9, 1990 opinion.

Accordingly, it is ORDERED:

(1) Perry's request to intervene is granted to the extent of having his submissions considered. His request to intervene as a party in Appeal Nos. 89-1329, -1692 is denied.

(2) Perry's request to vacate the May 9, 1990 opinion in whole or in part is denied.

(3) Perry's request for notice and hearing before imposing sanctions is denied as moot.

(4) Perry's request for a hearing is granted to the extent of having his present submissions considered. His request for an oral evidentiary hearing is denied.

(5) Perry may file a supplemental opposition to Amerace's application for fees and costs under and in accord with the terms set forth in section 4(e) above.

(6) Amerace's request for fees incurred in responding to this motion is denied.

(7) Perry shall file no further papers of any kind in this court relating to the merits of appeal Nos. 89-1329, -1692 or to the sanctions imposed under Rule 38 in the May 9, 1990 opinion.

Date: 30 Oct. 90

FOR THE COURT

(s) Howard T. Markey
*Circuit Judge*

Filed U.S. Court of Appeals for the Federal Circuit, Nov 1, 1990, Francis X. Gindhart, Clerk.

## APPENDIX E

## UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MISCELLANEOUS DOCKET NO. 289

## ORDER

A suggestion for rehearing in banc having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, declined.

FOR THE COURT,

/s/ FRANCIS X. GINDHART
Clerk

Dated: December 19, 1990

cc: RALPH R. SAFFORD
RONALD A. SANDLER

Filed U.S. Court of Appeals for the Federal Circuit, Dec 19, 1990, Francis X. Gindhart, Clerk.

In Re Perry, 91-M289
(RIT 86-73873 DT)

• • • • • • • •

Note: This order has not been prepared for publication in a reporter.

## APPENDIX F

## UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

89-1329,-1692

PAC-TEC, INC.,
Appellant,

v.

AMERACE CORPORATION,
Appellee.

Before MARKEY, Circuit Judge, BENNETT, Senior Circuit Judge, and PLAGER, Circuit Judge.

### ORDER

Having considered the application of Amerace Corporation (Amerace) for the attorney fees and double costs awarded in the opinion of May 9, 1990, and the oppositions thereto filed by Pac-Tec, Inc. (Pac-Tec) and Owen E. Perry (Perry), IT IS ORDERED that

Amerace is entitled to recover, within 30 days of the date of this ORDER, the sum of $134,000.18 from Pac-Tec and Perry who shall be jointly and severally liable.

FOR THE COURT
/s/ HOWARD T. MARKEY

Date 14 Jan 91

Filed U.S. Court of Appeals for the Federal Circuit, Jan 14 1991, Francis X. Gindhart, Clerk

## APPENDIX G

### III. EXAMPLES OF FACTUAL MISSTATEMENTS IN THE DECISION

The opinion of the Court is factually incorrect in many places. These errors served as the basis of scathing attacks on Pac-Tac's counsel in several instances. For example, page 9 of the opinion states:

> [T]he [district] court found that the language excised by Pac-Tec constituted structural limitations, citing as authority **In re Venezia**, 530 F.2d 956, 189 USPQ 149 (CCPA 1976). In its brief here, Amerace cited seven additional authorities for the proposition that functional language, in cases like the present cannot be disregarded. *Although Pac-Tec cited 48 cases in its main brief and 15 cases in its reply brief, it nowhere even mentions* **Venezia** *or any of the authorities cited by Amerace.* (emphasis added).

Obviously the opinion was written without reference to Pac-Tec's Reply Brief, which reads in pertinent part, page 13:

> There is no "kit" relationship between the claimed base member and the roadway, as was considered in **In Re Venezia**, 530 F.2d 956 (CCPA 1976) relied upon by Amerace and the District Court. The "adapted to" phrase is merely a suggestion of how the claimed base member can be installed in the roadway; it does *not* modify the definition of the structure of a claim 18 base member. . . .

See also page 9, n. 3, of this Court's opinion states in pertinent part:

> Pac-Tec's effort, *post-trial*, to inject another *new issue*, i.e., patent marking, was also rejected by the district court. Incredibly, Pac-Tac argues that untried issue in its brief before us. . . . (emphasis added).

That is factually incorrect. The patent marking issue was *not* raised post-trial. The trial dates were June 27-28 and July 5, 6, 7,

8, 13, 14, 18 and 19 (closing argument), 1988. The patent marking estoppel issue was raised at least as early as July 7 in the trial. See App., Vol. II, pp. 600-603. Pac-Tec's brief on this issue (Pages 1 and 2 of which are attached as Exhibit A) was filed July 12, 1988.

Footnote 3 on page 9 of the Court's opinion is plainly based on a misconception of the facts. Pac-Tec's counsel is at a complete loss to understand why the Court would lambaste him about something that did not take place, as demonstrated in the record.

The errors in the opinion continue at page 10 ("Evidence Exclusion"):

> Pac-Tec argues that it was error to exclude an exhibit and a British patent disclosing it. Pac-Tec says, *falsely*, that "[t]his prior art was discovered during the trial." and that it was excluded only because of failure to include it in the 35 U.S.C. § 282 notice and pre-trial order. The truth is that Pac-Tec knew of the exhibit and of a U.S. patent on the same design, and the exclusion was clearly based on Pac-Tec's failure to exercise diligence. . . .

This statement is apparently based upon the statement in the Amerace brief, page 37 that:

> Pac-Tec falsely states that this prior art was ony discovered during the trial. Pac-Tec's principle shareholder, Hedgewick, testified at this deposition. . . that he was familiar with the "cats eye" type of devices in *England* for forty years; it was a hunk of iron with a depressible rubber mounting. . . . (emphasis added).

That testimony is twice deficient for the proposition stated in this Court's opinion. First, it is not descriptive of PX-25 or the British Patent. The Court has apparently accepted, without foundation, that the term "cats eye", in and of itself, describes the metal base member of PX-25. The term "cats eye" refers *solely*

to a particular type of reflective element — not involved in this suit.

Second, a *device* used in a foreign country cannot anticipate under 35 U.S.C. § 102. Therefore, Hedgewick's testimony does *not* support the court's statement on page 10. The declaration of Pac-Tac's counsel submitted herewith demonstrates that it was not until June 30, 1988 that the use of these devices in the United States was discovered. Such use *does* anticipate under 35 U.S.C. § 102. Further, the United States Patent, unlike the British Patent, fails to show the marker *adapted to be recessed in the pavement*. Such adaption requirement is crucial claim language in the patent in suit.

## APPENDIX H

**HAIG AVEDISIAN**
**Attorney at Law**
**401 South Woodward, Suite 450**
**Birmingham, Michigan 48009**

**(313) 642-5533**
**Fax (313) 642-2269**

May 10, 1990

Owen E. perry, esq.
Reising, Ethington, Barnard, Perry, & Milton
Attorneys at Law
P.O. Box 4390
Troy, MI 48099

Re: Pac-Tec,Inc.

Dear Mr. Perry:

As General Counsel, Secretary, and a Director of Pac-Tec, Inc. and pursuant to Resolution duly adopted by the Corporation's Board of Directors today, I am directed to communicate to you that you are to terminate all further representation of Pac-Tec, Inc.

This direction includes all matters presently submitted for professional services respecting patent contests, patent applications, present and pending litigation, or any other procedures.

You are further directed, authorized, and requested to deliver, surrender and provide to Thomas E. Anderson, esq. of Gifford, Groh, Sprinkle, et al, all of your files, drawings, sketches, work papers, and other communications, immediately. Further, you are requested to execute any and all necessary documents to enable Mr. Anderson to substitute in your stead in any pending or future proceeding.

Mr. Perry, while it is unpleasant and distasteful to do so, I am compelled to advise you that the quality of your professional

representation of Pac-Tec, Inc., in its suit against Amerace Corporation suggests the need for evaluating the potential for recovery by Pac-Tec, Inc., from you and your firm the entire direct and consequential damages incurred. I suggest that your liability carrier consulted at an early date to institute "damage control". While I will be appearing asgeneral counsel in behalf of my client, I will not be responsible for any attempt to mitigate damages. That is both your responsibility and duty.

Please advise me of the measures you are undertaking to comply with the above requirements.

Yours truly,

/s/ HAIG AVEDISIAN

## APPENDIX I

## UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

APPEAL NOS.
89-1329, -1692

PAC-TEC, INC.,
*Plaintiff/Appellant,*

v.

AMERACE CORPORATION
*Defendant/Appellee.*

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## DECLARATION OF OWEN E. PERRY

Owen E. Perry makes the following declaration under the penalties of perjury:

1. I am former lead counsel for Appellant Pac-Tec, Inc. I am a member of the Bars of the State of Michigan and the District of Columbia, and admitted to practice in the Eastern District of Michigan, the Federal, District of Columbia, Fifth, Sixth and Eleventh Circuit Courts of Appeal, the Supreme Court of the United States, the United States Patent and Trademark Office, and several other District Courts.

2. I have been practicing law for 29 years; 25 years in the Eastern District of Michigan. My practice is and has been exclusively devoted to intellectual property matters and virtually all of my work involves litigation in the federal courts. I am past president of the Michigan Patent Law Association and past chairman of the Patent, Trademark and Copyright Section of the State Bar of Michigan.

3. I represented Pac-Tec and its predecessors and principals for over twenty years in intellectual property matters.

4. I filed the declaratory judgment action which was the subject of this appeal on behalf of Pac-Tec and believed in good

faith, based upon my reasoned professional judgment and experience, that the patents-in-suit were invalid and not infringed by the accused Pac-Tec device because of prior art. The anticipation defense of invalidity was one of the primary issues argued by the parties to the trial court and in the appeal.

5. I learned of the Court's May 9, 1990 opinion on the day it issued, having called the Federal Circuit opinion service. I obtained a copy of the opinion by facsimile the same day. I was shocked by the extreme nature of the repeated personal attack contained in the Opinion. I also immediately noticed several material errors. In an effort to prevent public disclosure of the Opinion and harm to my reputation and law practice prior to having an opportunity to seek relief, on May 10, 1990, I filed an Emergency Motion to Seal the May 9, 1990 Opinion of This Court and Request for In Banc Consideration Thereof.

6. I also immediately furnished Pac-Tec a copy of the May 9 Opinion and was promptly discharged as Pac-Tec's counsel by the letter attached as Exhibit 2 to the Brief in Support of any Motion to Intervene. I have subsequently been informed by my counsel that he has been advised by Pac-Tec's counsel that Pac-Tec intends to attempt to hold me solely responsible for any sanctions imposed by this Court in connection with this appeal.

7. The damage inflicted on me to date by the May 9 Opinion is not limited to the destruction of my relationship with Pac-Tec. I have been removed as lead counsel for another client in an appeal pending in this court, and was instructed to transfer the files to another firm. Prior to these instructions, an executive of the client informed me that there was concern by the client that representation by me and my firm before this Court would pose an unacceptable risk to the client in view of the May 9 Opinion. Still another client has instructed me not to present the oral argument in an appeal before this court, and instructed me that another attorney in my firm replace me for the argument as a result of this Court's May 9 Opinion.

8. The May 9 Opinion has already caused me an income loss from my law practice, and I believe that, if it stands as it is, it will discourage future clients from retaining my services with a further substantial income loss to me.

9. On May 24, 1990 our office received its copy of Volume 40, No. 981 of the BNA publication "Patent, Trademark & Copyright Journal", which features a lead article on the May 9 Opinion. A copy is attached as Exhibit 3 to the Brief.

10. Shortly after receipt of the May 9 Slip Opinion through BNA's subscription service, I was contacted by a reporter from the New York *Times* regarding the May 9 opinion. I have received numerous telephone calls and comments regarding the article which appeared in the June 5, 1990 national edition of the *Times*; a copy of the article is attached as Exhibit 4 to the Brief.

11. On June 15, 1990, the opinion was discussed and my name mentioned in a column in the *Pontiac-Oakland Legal News*, a copy of which is attached as Exhibit 5 to the Brief. My office is located in the County in which this newspaper is circulated and I understand and believe that most of the attorneys who regularly refer business to me are subscribers and/or readers of this publication.

12. The *Times* article states that "the opinion has been widely read by lawyers in that field", referring to the patent bar. I believe that statement to be true. The opinion was published in the United States Patent Quarterly 2nd, Vol 14, No. 11, on June 11, 1990, and accordingly has been circulated to virtually every patent practitioner in the United States, including those who are employed in-house and upon whom I depend for a substantial amount of my litigation practice.

13. On several occasions, I have been requested by other intellectual property lawyers to act as an expert witness. My ability to testify as an expert in the future will be substantially, if not fatally, impaired if the May 9 Opinion stands in its present form. The May 9 Opinion judicially brands me as deceitful and

without credibility and it will obviously severely damage my ability to be gainfully employed as an expert witness.

14. I take very seriously my ethical obligation to represent my clients zealously within the bounds of the law. I briefed and argued the issues I raised in the appeal as forthrightly and honestly as I could.

15. Virtually all of my work is litigation in the federal courts, and I am frequently required to appear in the Federal Circuit for my clients. I am the principal litigation partner in my firm. I am justifiably concerned that the serious damage that the May 9 opinion has already done to my professional reputation and standing in the patent bar will be irreparable and permanent unless I am granted relief. My very livelihood is at stake.

16. Prior to the hearing on this appeal, Pac-Tec submitted the brief to another patent law firm for review. The opinion of that firm, as reported to me by Pac-Tec, was that the other firm regarded Pac-Tec's chances of success on the appeal as 50-50. Pac-Tec did not report to me that the other firm considered the appeal, as to any issue, to be frivolous.

17. A significant portion of my practice is based on referrals from other lawyers. Continued referrals are dependent upon my ability to maintain my reputation for competency and personal and professional integrity. The widely publicized May 9 Opinion constitutes a direct assault on my reputation and has already reduced my stature among existing clients, the bar, and the business community. If the May 9 Opinion is not vacated, the harm will be irreparable.

18. If given an opportunity, I believe that I can demonstrate that the personal attacks on me in the May 9 Opinion are neither justified nor supported.

Dated: June 25, 1990 (s) Owen E. Perry

## APPENDIX J

## UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

APPEAL NOS.
89-1329,-1692

PAC-TEC, INC.,
*Plaintiff/Appellant,*

v.

AMERACE CORPORATION,
*Defendant/Appellee.*

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## CORRECTED DECLARATION OF GEORGE E. FROST

***Declaration of George E. Frost***

-I-

I maintain an office at 291 Hupp Cross Road, Birmingham, Michigan, 48010. I am an attorney and a member of the bars of the District of Columbia, Illinois, and Michigan, as well as numerous courts including the Supreme Court of the United States and this Court. I have been engaged primarily in the field of patent law for over 45 years.

-II-

Prior to 1947 I engaged in entry-level patent work as a member of the patent department of the General Electric Company. From 1947 to 1966, I practiced patent law as an attorney in Chicago, Illinois. An important part of my activities in that period included the teaching of patent law and administration of the patent law program at the John Marshall Law School in Chicago. I also taught the patent seminar at the University of Chicago Law School one year. I have lectured on patent matters at various bar meetings and at Yale University, The Wharton School, The George Washington University, the University of Michigan, Northwestern University and the University of Wisconsin.

-III-

From 1966 to 1983, I was director of the patent section of General Motors Corporation. I was the top patent professional in General Motors, with administrative responsibility for all the patent attorneys in the Corporation and policy-making responsibility for all patent aspects of General Motors activities throughout the world. Since 1983, I have been retired from General Motors and have engaged in the practice of patent law.

-IV-

I have known Owen Perry professionally for at least the past 20 years. I have had close experience with Mr. Perry's professional work while serving as an expert witness on behalf of a client represented by Mr. Perry. Prior to this case, Mr. Perry's reputation among the patent lawyers, lawyers generally, and business personnel in the community and elsewhere was exemplary.

-V-

I was recently asked to review the opinion of May 9, 1990, the briefs, and the transcript of the oral argument on March 5, 1990 in the above-entitled Pac-Tec appeal. While I have had limited time to conduct such review, and have not had an opportunity to review the record on appeal, I am nevertheless satisfied that the argument of anticipation under 35 USC 102, and that the functional language in the claims does not patentably distinguish the prior art, was a genuine and non-frivolous argument to place before this Court.

-VI-

I note in this regard that counsel for Amerace characterized many of the arguments of Mr. Perry as frivolous, but not the argument of anticipation under 35 USC 102 because of the functional claim language.

-VII-

Many decisions of this Court, its predecessors, the Supreme Court, and other courts deal with questions of the extent functional language in patent claims distinguishes the prior art. Aside from the legislative treatment of "means" claims in 35 USC 112, the matter has been one for individual case decision. For example, the Court of Customs and Patent Appeals, addressed the specific matter of introductory claim expressions in *Kropa v. Robie*, 187 F 2d. 150, 88 USPQ 478 (1951). The appendix to that decision is a list of some 37 prior cases. Some held such introductory claim expressions — which are inherently statements of function — to limit the claims. Others held to the contrary.

-VIII-

The same situation is revealed in a more recent context when the case of *In re Venezia*, 530 F 2d., 956, 189 USPQ 149 (CCPA, 1976) is considered. This case has particular significance here because it was relied upon by the district court, it is referenced in this Court's opinion, and it is relied upon by the Amerace. Venezia appealed from a Patent Office rejection of certain claims on 35 USC 112 and on 35 USC 101. The rejections were based largely on viewing a kit of separate parts positively recited in the claim and having recited interconnecting relations as not an article of manufacture. Reversing, the Court concluded that a kit of parts to be connected together in the future could be an article of manufacture. Claims to the assembled device and the process of assembling it had been allowed by the Patent Office. The issue of the functional language in the claims was involved only indirectly in resolving the presented issue of whether there was an article of manufacture.

-IX-

In its *Venezia* decision the Court of Customs and Patent Appeals distinguished its prior holding in *In re Collier*, 397 F. 2d 1002, 158 USPQ 266 (1968). IN *Collier*, the examiner had squarely rejected the claim sought as met by prior art under 35

USC 102. In so doing, the examiner found the positively recited elements of the claim in the art, and considered the functional recitations to be ineffective for patentability purposes. The form of the claim was similar to that involved in the present case in that the claim recited a connector member and some parts positively, and otherwise included functional statements as to use in a connection (not recited as a positively claimed element), crimping onto a shield member (likewise not a positively recited element of the claim), and the disposition of the recited connector member after crimping onto the shield member. The Court affirmed the rejection. This decision is consistent with the position taken by Mr. Perry in the present case.

-X-

Even when attention is confined to the illustrations above, it is clear to me that an argument to the effect that functional recitations of a patent claim do not distinguish the prior art, and that attention must be centered on whether the prior art does or does not show the structurally recited elements, is a non-frivolous argument. Accordingly, the argument of non-patentability under 35 USC 102, made in the subject case and based on this principle, was not frivolous.

Birmingham, Michigan
June 25, 1990

/s/ George E. Frost

State of Michigan
County of Oakland

I declare under penalty of perjury that the foregoing is true and correct, this 7th day of July, 1990.

/s/ George E. Frost

# APPENDIX K

## Constitutional Provision Involved

**U.S. CONST. amend V:**

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

## Statutes Involved

**28 U.S.C. §2072. Rules of procedure and evidence; power to prescribe**

(a) The Supreme Court shall have the power to prescribe general rules of practice and procedure and rules of evidence for cases in the United States district courts (including proceedings before magistrates thereof) and courts of appeals.

(b) Such rules shall not abridge, enlarge or modify any substantive right. All laws in conflict with such rules shall be of no further force or effect after such rules have taken effect.

## Federal Rules Involved

**Rule 38, Federal Rule of Appellate Procedure, Damages for Delay**

If a court of appeals shall determine that an appeal is frivolous, it may award just damages and single or double costs to the appellee.

**Rule 46, Federal Rules of Appellate Procedure, Attorneys**

(c) Disciplinary Power of the Court over Attorneys. A court of appeals may, after reasonable notice and an opportunity to show cause to the contrary, and after hearing, if requested, take any appropriate disciplinary action against any attorney who practices before it for conduct unbecoming a member of the bar or for failure to comply with these rules or any rule of the court.